

# ANNUAL REPORT FISCAL YEAR 2021

**Trust Lands Management Division**  
**Montana Department of Natural Resources and Conservation**



# MISSION

**Manage the State of Montana's trust land resources to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land.**

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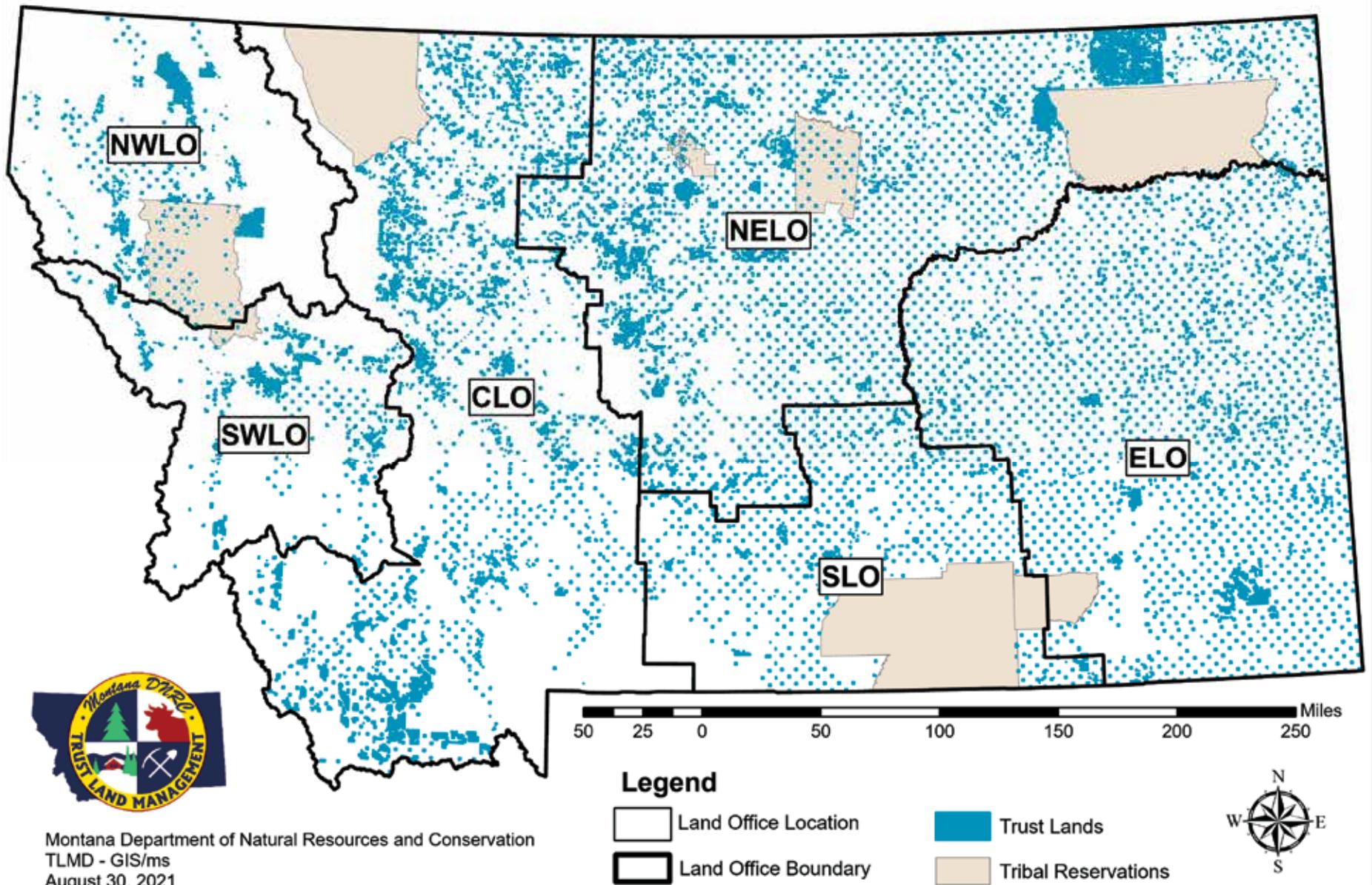
HOYT RICHARDS,  
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Southern Area Manager

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Eastern Area Manager

# MONTANA TRUST LANDS



Montana Department of Natural Resources and Conservation  
TLMD - GIS/ms  
August 30, 2021

# AREA & UNIT OFFICES

## DNRC Headquarters

1539 Eleventh Avenue  
Helena, MT 59620-1601

### 1. Northwestern Land Office

655 Timberwolf Parkway  
Kalispell, MT 59901  
*with unit offices in  
Kalispell, Libby, Plains, Stillwater, Swan*

### 2. Southwestern Land Office

1401 27<sup>th</sup> Avenue  
Missoula, MT 59804  
*with unit offices in  
Missoula, Clearwater, Anaconda, Hamilton*

### 3. Central Land Office

8001 N Montana Avenue  
Helena, MT 59602  
*with unit offices in  
Helena, Bozeman, Conrad, Dillon*

### 4. Northeastern Land Office

613 NE Main Street  
Lewistown, MT 59457  
*with unit offices in  
Lewistown, Glasgow, Havre*

### 5. Southern Land Office

1371 Rimtop Drive  
Billings, MT 59105

### 6. Eastern Land Office

321 Main Street  
Miles City, MT 59301

## QUICK FACTS



**127.30**  
TOTAL DIVISION  
FTE



**8,921**  
AG & GRAZING  
LEASES



**363,739**  
TREE SEEDLINGS  
PLANTED



**135** RIGHTS OF WAY  
PROCESSED

**5.2 MILLION**  
TOTAL SURFACE ACRES

**6.2 MILLION**  
TOTAL MINERAL ACRES

**64.1 MMBF**  
TIMBER HARVESTED



**33** CABIN SITES SOLD  
AT AUCTION



**65**  
ACTIVE  
TIMBER  
SALES

**1,126** OIL & GAS  
LEASES



**128** COMMERCIAL  
LEASES

**873** ACTIVE LAND USE  
LICENSES

**31** COAL  
LEASES

**514** ACTIVE RESIDENTIAL  
LEASES



**16** LAND SITES SOLD  
AT AUCTION

# FY 2021 TRUST LANDS OVERVIEW

The mission of the Trust Land Management Division (TLMD) is to administer and manage the state trust timber, surface, and mineral resources for the benefit of the Common Schools and other endowed institutions in Montana, under direction of the Board of Land Commissioners.

The Board of Land Commissioners, which is also known as the “State Land Board,” consists of the following:



**Secretary of State  
Christi Jacobsen**



**Attorney General  
Austin Knudsen**



**Governor  
Greg Gianforte**



**Superintendent of  
Public Instruction  
Elsie Arntzen**



**Commissioner of  
Securities & Insurance  
Troy Downing**

The division is divided into four primary programs: agriculture and grazing management, forest management, minerals management, and real estate management. Staff and program specialists in Helena and Missoula provide program administration, direction, oversight, and support. Field personnel throughout the state provide on-the-ground management. Additional program information can be found at the division's website: [dnrc.mt.gov/divisions/trust](http://dnrc.mt.gov/divisions/trust).

The department's obligation is to obtain the greatest benefit for the school trusts pursuant to [77-1-202, MCA](#). The greatest monetary return must be weighed against the long-term productivity of the land to ensure continued future returns to the trusts.

## HISTORY

By the Enabling Act approved February 22, 1889, the Congress of the United States granted to the state of Montana, for Common Schools (K-12) support, sections 16 and 36 in every township within the state. Some of these sections had been homesteaded, some were within the boundaries of Indian reservations, and others had been disposed of before passage of the Enabling Act. Other lands were selected by the state in lieu of these lands. The Enabling Act and subsequent acts also granted acreage for other educational and state institutions. The trust beneficiaries are as follows:

- *Common Schools (K-12)*
- *The University of Montana*
- *Montana State University – Morrill Grant*
- *Montana State University – Second Grant*
- *Montana Tech of the University of Montana*
- *State Normal School (Montana State University at Billings, University of Montana at Dillon)*
- *Public Buildings*
- *Veterans Home*
- *School for the Deaf & Blind*
- *State Reform School (Pine Hills)*
- *Montana Developmental Center (Sir Trust 2007)*
- *Montana State Hospital (Sir Trust 2007)*
- *Public Land Trust Navigable Rivers (2010)*
- *Acquired Lands Trust (2011)*

In FY 2007, approximately 2,600 acres were donated to the State of Montana for school trust land. This donation added acreage to the School for the Deaf and Blind and created a trust for the Montana Developmental Center and the Montana State Hospital. Two other trusts have been created since then, Public Land Navigable Rivers and Acquired Lands.

The total acreage has fluctuated through the years due to land sales and acquisitions. Surface acreage at the end of FY 2021 was approximately 5.2 million acres and mineral acreage, approximately 6.2 million acres. Mineral acreage exceeds surface acreage because the mineral estate has been retained when lands were sold (see *Table 11* on page 26).

# FY 2021 PROGRAM HIGHLIGHTS

## AGRICULTURE & GRAZING MANAGEMENT BUREAU

The Agriculture and Grazing Management Bureau along with Area and Unit Office staff supervise the management and leasing of 4.7 million acres under approximately 8,900 agreements for crop and range land throughout the state.

### **SURFACE LEASING**

The Surface Leasing Program is responsible for surface lease agreements. Last year, program staff processed approximately 1,000 lease renewals; advertised, competitively bid, and issued new leases; reviewed and processed assignments, subleases, pasturing agreements, custom farming agreements, pledges, and mortgages; and collected, verified, and posted rentals and fees.

### **LAND MANAGEMENT**

The Land Management Program manages agricultural and grazing resources on state trust land. Responsibilities include the evaluation and assessment of range and crop land condition; administration of archaeological, paleontological, and historical properties on state trust land; investigations of lease noncompliance; participation in the federal Farm Program; and oversight of water developments, water rights, and improvement projects such as range renovation and resource development.



## AGRICULTURE AND GRAZING LANDS

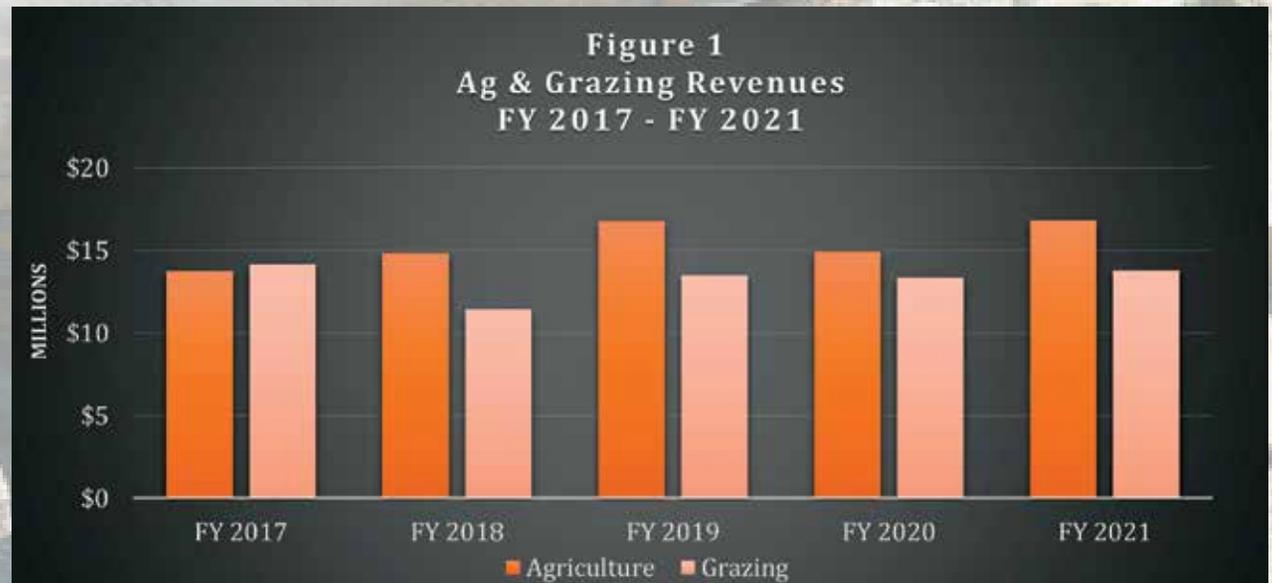
Currently, 2,751 agreements cover agricultural use of state trust lands. Crops raised on these lands are primarily dry land hay and small grains, but also include irrigated grain crops, corn, sugar beets, potatoes, peas, lentils, garbanzo beans, canola, safflower, alfalfa seed, and native grass seed.

In FY 2021, agricultural leasing on approx. 541,000 acres yielded \$16.8 million in revenue. The majority of these leases are on a crop-share basis with a minimum share of 25% set by statute. Montana also participates in the Farm Program and receives payments from the US Department of Agriculture (USDA) Farm Service Agency. For FY 2021, these payments totaled \$1,216,099 (included in total ag revenue) primarily for lands enrolled in the Conservation Reserve Program (CRP) and from Price Loss Coverage (PLC) contracts.

Approximately 8,023 agreements allow grazing on trust lands. The nearly 4.1 million acres of classified grazing lands and forest lands have an estimated carrying capacity of 981,539 animal-unit-months (AUMs). The minimum rental rate for grazing leases, \$13.41 per AUM, is set by a formula which includes the average weighted price for beef cattle sold in Montana during the previous year. In FY 2021, grazing leases generated \$13.7 million in revenue. See *Figure 1* for agriculture and grazing revenues from FY 2017 - FY 2021.



Figure 1  
Ag & Grazing Revenues  
FY 2017 - FY 2021





## FOREST MANAGEMENT BUREAU

Each year, foresters, scientists, and managers conduct activities to ensure the long-term sustainability of forested state trust lands. Annual activities are aimed at generating income, monitoring and improving practices, investing in future productivity of forested stands, and conserving an array of resources. Revenue from these lands is derived mainly from the sale of forest products. While DNRC oversees less than 4% of the statewide forested landscape, the program accounts for nearly 20% of Montana's total timber volume sold per year. Statute directs DNRC to sell a consistent amount of timber each year, which in turn provides a consistent revenue source for the trust beneficiaries and a consistent source of material for the wood products industry.

Our forest management standards and philosophy are based on biodiversity, sustainability, and active management. We are guided by the State Forest Land Management Plan (SFLMP) and associated rules (2003) and DNRC's Forested State Trust Lands Habitat Conservation Plan (2011).

### FOREST PRODUCT SALES

The forest product sales program incorporates activities and expenditures required to grow, harvest, and sell forest products from state trust lands. All timber sales and permits are developed, analyzed, and reviewed in the field by foresters and resource specialists to ensure that sales comply with all applicable laws, policies, and management direction. The current annual sustainable yield from forested state trust lands is 58.25 million board feet (MMBF). TLMD maintained a successful forest products sales program in FY 2021, with lumber markets driving up harvest and revenue from open timber contracts. The Forest Management Program offered 59 MMBF of timber for sale, of which 57.7 MMBF was sold through timber sales and permits. The average stumpage price was \$180 per thousand board feet, a 5% increase compared to FY 2020. The volume sold has an estimated total stumpage value of \$10,407,447 and additional expected revenue of \$1,466,456 in Forest Improvement fees. A total of 64.1 MMBF of timber and a minor amount of other miscellaneous forest products (posts, pulp, boughs, etc.) were harvested from state trust lands during FY 2021 (see *Figure 2*). This volume generated \$12,822,559 in stumpage revenue for the year. *Table 1* shows the volume and value of the timber sold by area office.

**TABLE 1  
VOLUME & VALUE OF TIMBER SOLD BY AREA OFFICE FY 2021**

Area Office	Volume (MBF)	Average Price (\$/MBF)	Stumpage Value	Forest Improvement Fees
CLO	2,162	\$54	\$115,769	\$8,298
Eastside (NELO, ELO, SLO)	2,485	\$25	\$81,599	\$1,365
SWLO	13,749	\$154	\$2,155,920	\$323,207
NWLO	39,365	\$205	\$8,054,159	\$1,133,586
<b>Total Statewide</b>	<b>57,761</b>	<b>\$180</b>	<b>\$10,407,447</b>	<b>\$1,466,456</b>

**Figure 2  
Timber Volume Sold and Harvested**



## FOREST IMPROVEMENT

The Forest Improvement Program uses fees from harvested timber to improve the health, productivity, and value of forested trust lands. Use of these fees authorized by statute, includes disposal of logging slash, reforestation, access, road maintenance necessary for harvest operations, other treatments necessary to improve the condition and income potential of state forests, and compliance with other legal requirements associated with timber harvest.

In FY 2021, DNRC collected \$1,558,231 in Forest Improvement fees, as shown in *Table 2*. In addition to other Forest Improvement Program projects, DNRC planted 363,739 seedlings on 1,926 acres of state trust land, completed precommercial thinning treatments on 1057 acres, and site preparation (brush piling and scarification for natural regeneration) on 681 acres in FY 2021.

**TABLE 2**  
**FOREST IMPROVEMENT FEES COLLECTED BY TRUST FY 2021**

Trust	Amount
Common Schools	\$911,224
Montana State University - Second Grant	\$136,281
Montana Tech	\$39,748
State Normal School	\$131,115
School for the Deaf and Blind	\$70,334
State Reform School	\$9,342
Public Buildings	\$255,233
Acquired Land	\$4,782
University of Montana	\$172
<b>Total</b>	<b>\$1,558,231</b>

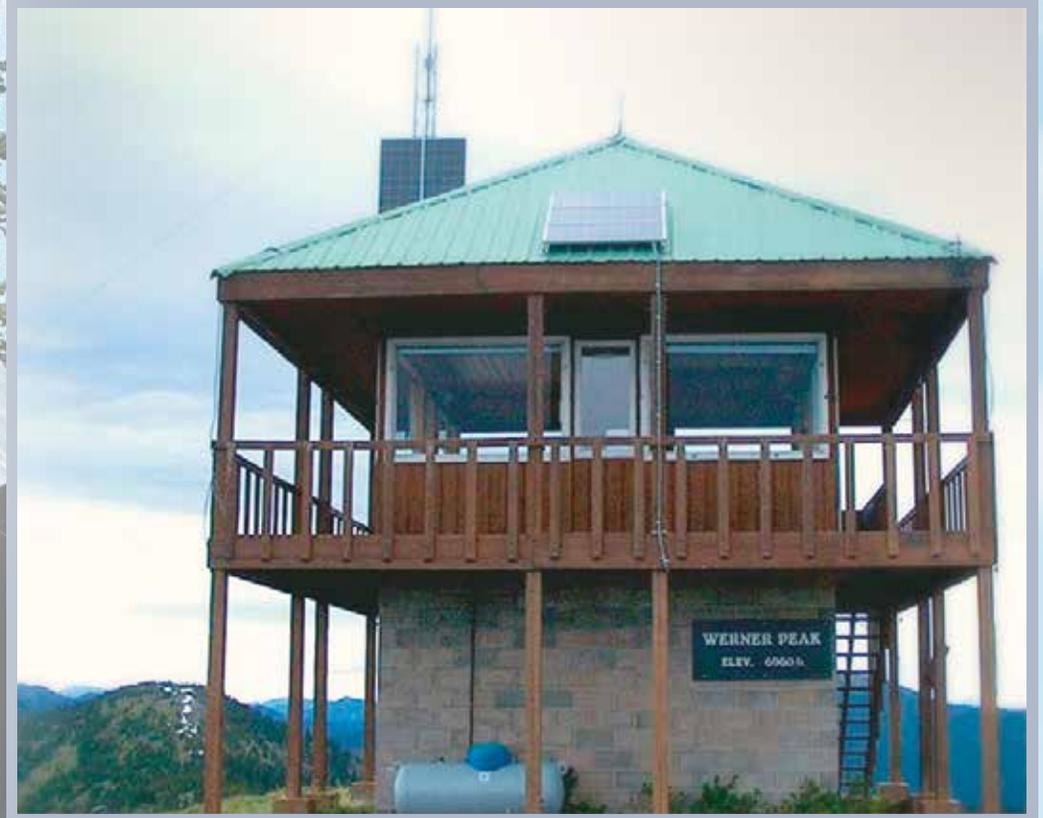


## RECREATIONAL USE

In the state of Montana, legally accessible trust lands are generally open for the public to enjoy through the purchase of an annual license. The general recreational use license is \$10 and allows the use of trust land for all dispersed recreation, like hiking, skiing, birdwatching, berry picking, sight-seeing, snowmobiling, and more. Additionally, through an agreement between DNRC and the Department of Fish, Wildlife and Parks (FWP), trust beneficiaries receive \$2 from the sale of each FWP conservation license. Through this agreement, purchasers of a conservation license can use legally accessible trust land for dispersed hunting and fishing.

In FY 2021, recreational use by the public contributed \$1,395,294 Million in gross revenues for trust beneficiaries through sales of both general recreational use licenses and conservation licenses. An additional \$196,100 was generated through special recreational use licenses for commercial or concentrated use, and approximately \$3,594 through nightly rentals of the Werner Peak Lookout, and donations received at the Upper Whitefish Lake Campground.

In FY 2021, DNRC elevated recreational use as a standalone program within the Trust Lands Management Division. In response to increased use and demand for trust land for both dispersed and concentrated recreational use, the department is focusing on program development and broad range solutions to balance Montana's outdoor recreation heritage with the fiduciary duty of trust land management.



# MINERALS MANAGEMENT BUREAU

The Minerals Management Bureau is responsible for leasing, permitting, and managing approximately 1,246 oil and gas, metalliferous and nonmetalliferous minerals, coal, and sand and gravel agreements on more than 476,000 acres of the available 6.2 million acres of school trust land and approximately 11,885 acres of other state-owned land throughout Montana.

## OIL & GAS ACTIVITY

In FY 2021, the bureau managed 1,126 total leases, 608 of which are currently productive. Compared to FY 2020, the total number of leases issued is down 13.1%. Producing leases also decreased by 1.1%. Even though the average gas and oil prices increased throughout the year, the impact of the negative sales during April of 2020 led to leases being released.

FY 2021 royalty revenues totaled \$6,033,658, down 14.13% from FY 2020 primarily due to the negative oil prices that occurred in April of 2020. Rentals, non-drilling penalties, and bonus revenues totaled \$729,958, down 39.12% compared to FY 2020. This decrease was driven by a combination of cancelled or terminated leases and a decrease in bonus revenue from quarterly lease sales. See *Figure 3* for a summary of revenues. Oil and gas production from state lands is summarized in *Table 3*. *Figure 4* shows the FY 2021 mineral revenue by type and percentage.

## COAL ACTIVITY

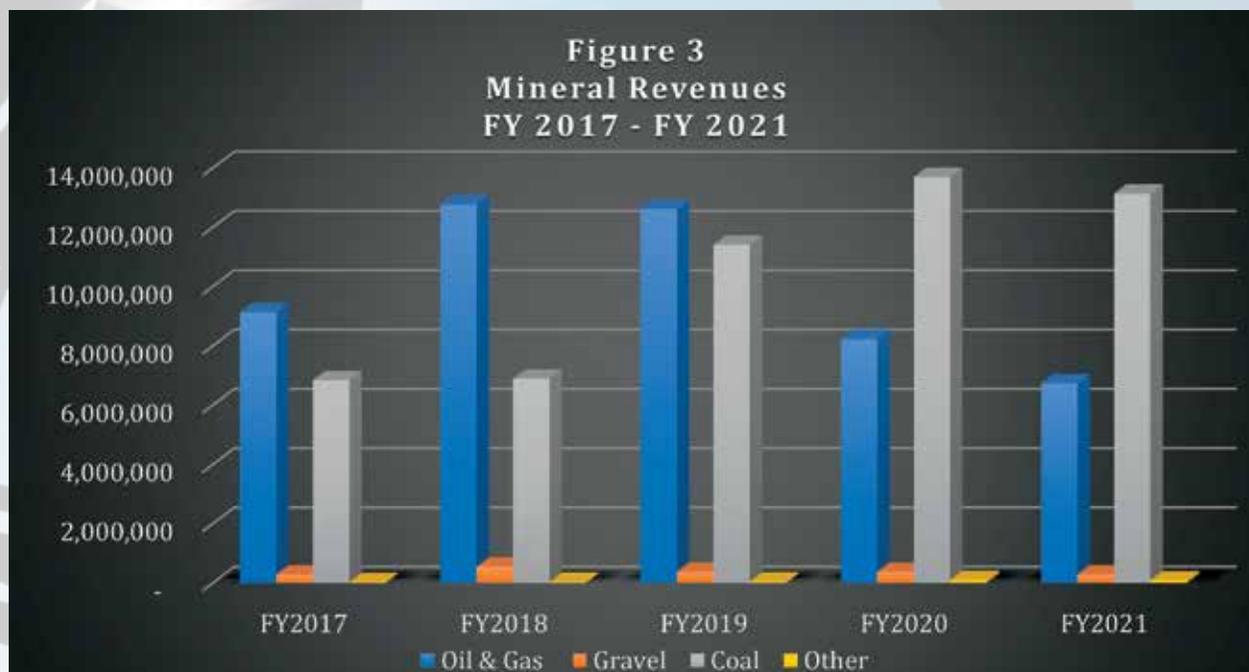
In FY 2021, the bureau managed 31 total leases, 6 of which are currently productive. Coal lease counts remained constant between 2020 and 2021. Royalty revenues totaled \$13,124,951 which was a 4.01% decrease from FY 2020. Rental revenues totaled \$13,526. Coal production from state lands is summarized in *Table 3*.

**TABLE 3  
MINERAL PRODUCTION**

	FY 2020	FY 2021	% Change	Five-Year Average
<b>Oil (barrels)</b>	990,617	896,153	-9.54	1,097,772
<b>Gas (mcf*)</b>	2,357,467	2,173,851	-7.79	2,471,976
<b>Coal (tons)</b>	5,952,191	6,250,802	5.01	5,241,402

\*mcf=thousand cubic feet

**Figure 3  
Mineral Revenues  
FY 2017 - FY 2021**

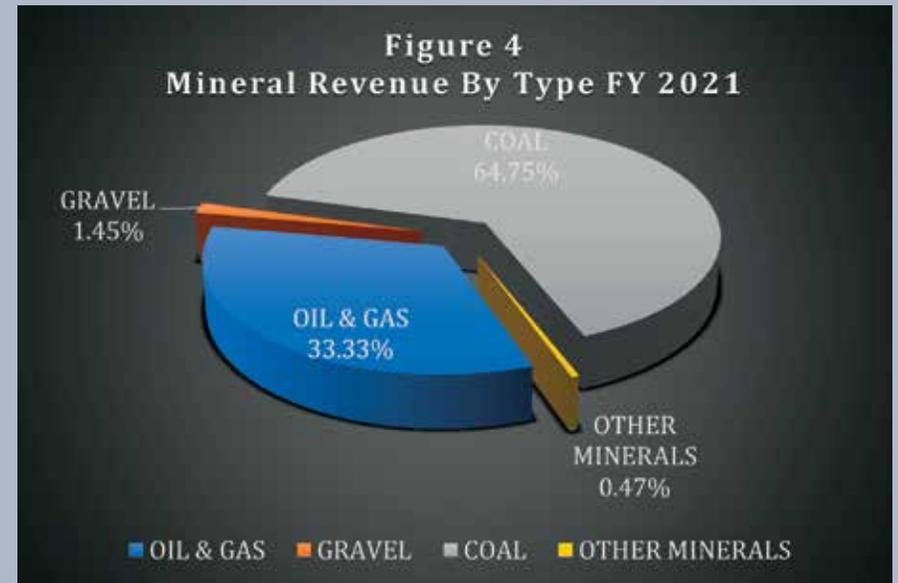


## OTHER MINERALS

The bureau also issues land use licenses and leases for gravel and other minerals. In FY 2021, gravel revenues totaled \$294,786, which is an 21.74 % decrease from FY 2020. Revenues for all other mineral activities totaled \$95,086.

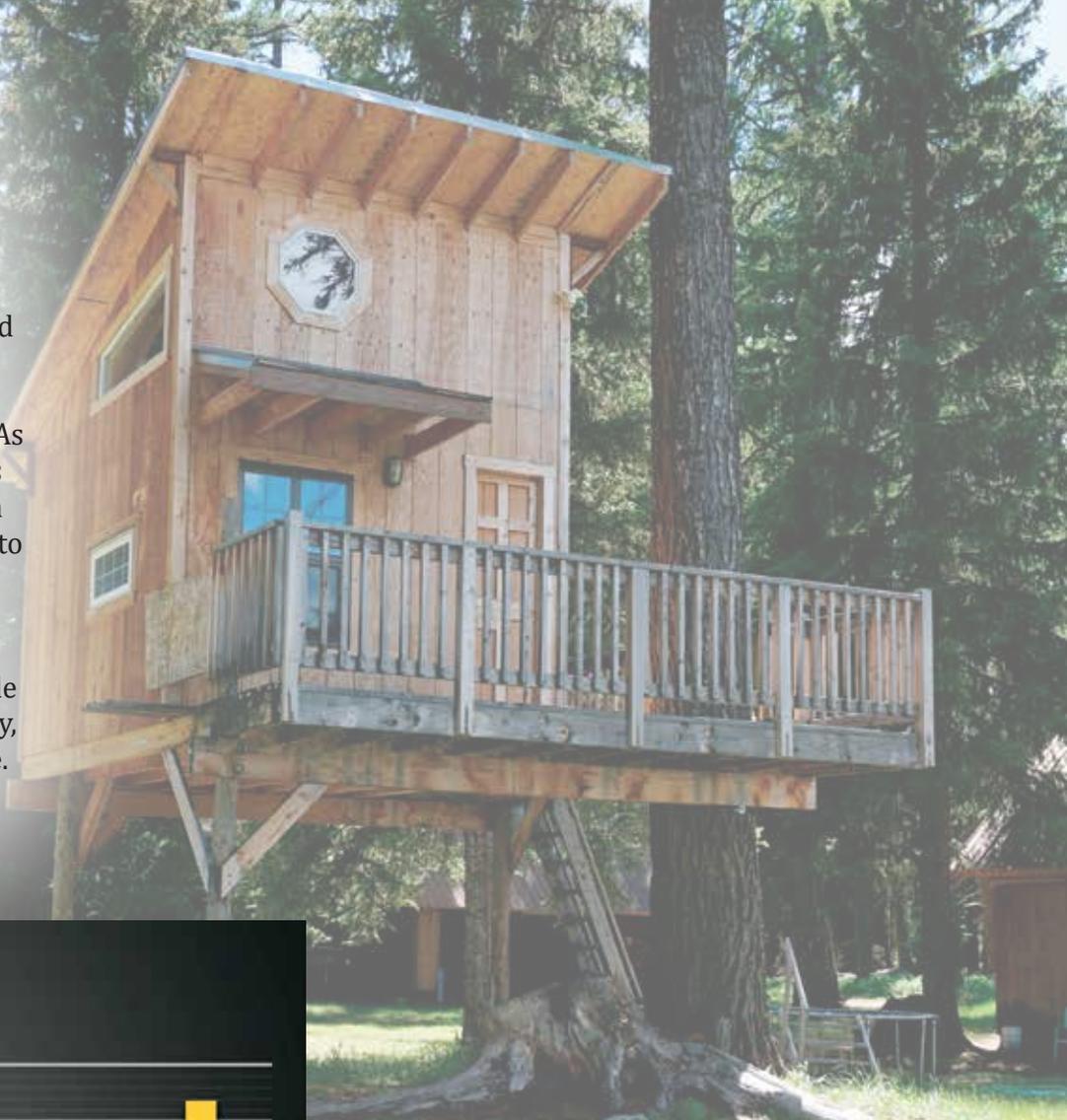
## RIVERBED LEASING

On navigable waterways in Montana, the state owns those lands below the low-water mark; islands and their accretions formed in riverbeds after statehood; and certain abandoned channels formed by avulsion. The bureau continues its efforts to clarify title to the riverbeds and islands of navigable rivers. Because two navigable rivers in Montana flow through areas with major oil and gas resources, DNRC has conducted numerous riverbed studies to determine and document state ownership in those areas. Studies are also required in urban and developing areas. In FY 2021, the program managed 9,428 acres of leased riverbed and island tracts. These tracts provided the state with \$484,735 in oil and gas revenues.

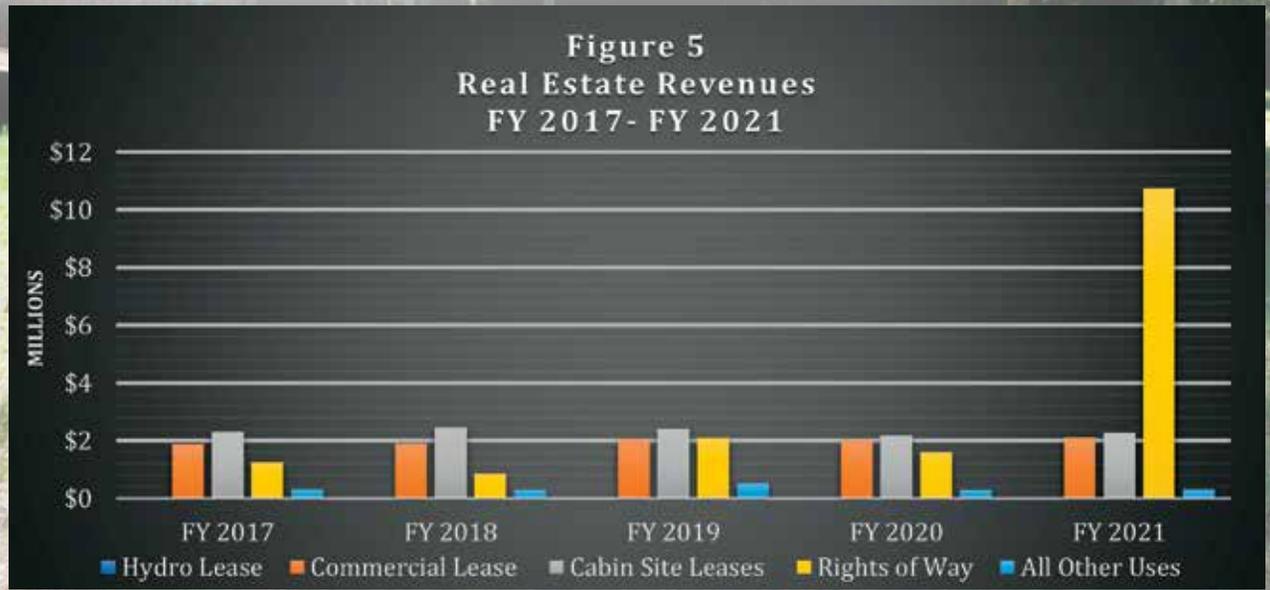


# REAL ESTATE MANAGEMENT BUREAU

The Real Estate Management Bureau manages all activity on trust lands not classified as grazing, agriculture, or timber. These “other” surface tracts are administered for the benefit of the various trusts through leasing, short-term licenses, land exchanges and sales, and issuance of right-of-way agreements. The bureau actively pursues land acquisitions, dispositions and exchanges to improve the revenue generation of the trust land base. These fee title land transactions improve management opportunities and provide diversity of use through land consolidation and acquisition of legal access. As a result, this provides for greater revenue generating capacity for the trusts served by the department. Rights-of-way, easements and access acquisition transactions also improve access to state trust lands and generate revenue to the permanent fund assigned to specific trusts. Commercial and residential ground leases are an integral component of the bureau’s functions. Lands located within city limits in various locations throughout the state present opportunities for development. The bureau contributes annual distributable revenue through commercial and residential leasing. Licenses for secondary, short-term activities are also managed by the bureau and generate revenue. The bureau assists other state agencies with the management of non-trust state land assets and records management. *Figure 5* shows real estate revenues from FY 2017 - FY 2021.



**Figure 5**  
Real Estate Revenues  
FY 2017- FY 2021



## LAND SALES, ACQUISITIONS, AND EXCHANGES

In FY 2021, the Land Banking and Cabin Site Sale Program sold 2,216 acres for a total sales price of \$4,371,900. *Table 4* shows the acres sold by the trust, average income, and rate of return.

**TABLE 4  
LAND AND CABIN SITES SOLD BY TRUST FY 2021**

Trust	Program	Acres	Sales Price	# of Parcels	Average Three-Year Income	Return
Public Buildings	Land	160	\$132,400	4	\$473.59	0.36%
Common Schools	Land	1993.95	\$1,328,500	12	\$6,563.82	0.49%
<b>Total Land Sales</b>		<b>2153.95</b>	<b>\$1,460,900</b>	<b>16</b>	<b>\$7,037.41</b>	<b>0.48%</b>
Trust	Program	Acres	Sales Price	# of Parcels	Average Three-Year Income	Return
Common Schools	Cabin Sites	31.896	\$530,000	15	\$18,054.83	3.41%
Deaf & Blind School	Cabin Sites	2.094	\$107,000	2	\$2,978.11	2.78%
Montana State University	Cabin Sites	17.124	\$605,000	10	\$29,123.74	4.81%
Montana Tech	Cabin Sites	8.242	\$1,361,000	3	\$ -	0.00%
Pine Hills School	Cabin Sites	2.72	\$308,000	3	\$12,761.78	4.14%
<b>Total Cabin Sites</b>		<b>62.076</b>	<b>\$2,911,000</b>	<b>33</b>	<b>\$62,918.46</b>	<b>2.16%</b>
<b>Combined Total</b>		<b>2216.026</b>	<b>\$4,371,900</b>	<b>49</b>	<b>\$69,955.87</b>	<b>1.60%</b>



The Lands Section completed a Land Exchange, Land Donation, and the final steps of the BLM In-Lieu selection in Fiscal Year 2021. *Table 5* shows the land acquired from BLM In Lieu. *Table 6* shows the land acquired through a Land Donation of 293 acres of forested land in Pattee Canyon, Missoula County. In Jefferson County, the bureau exchanged a 32-acre parcel of land from within the campus of the Montana Developmental Center in Boulder for 155 acres of productive agricultural land south of Boulder. *Table 7* shows the details of the MDC-Boulder Land Exchange.

Currently, more than 75 land banking and cabin site sales are in progress. Priority is given to selling isolated, low producing and vacant land.

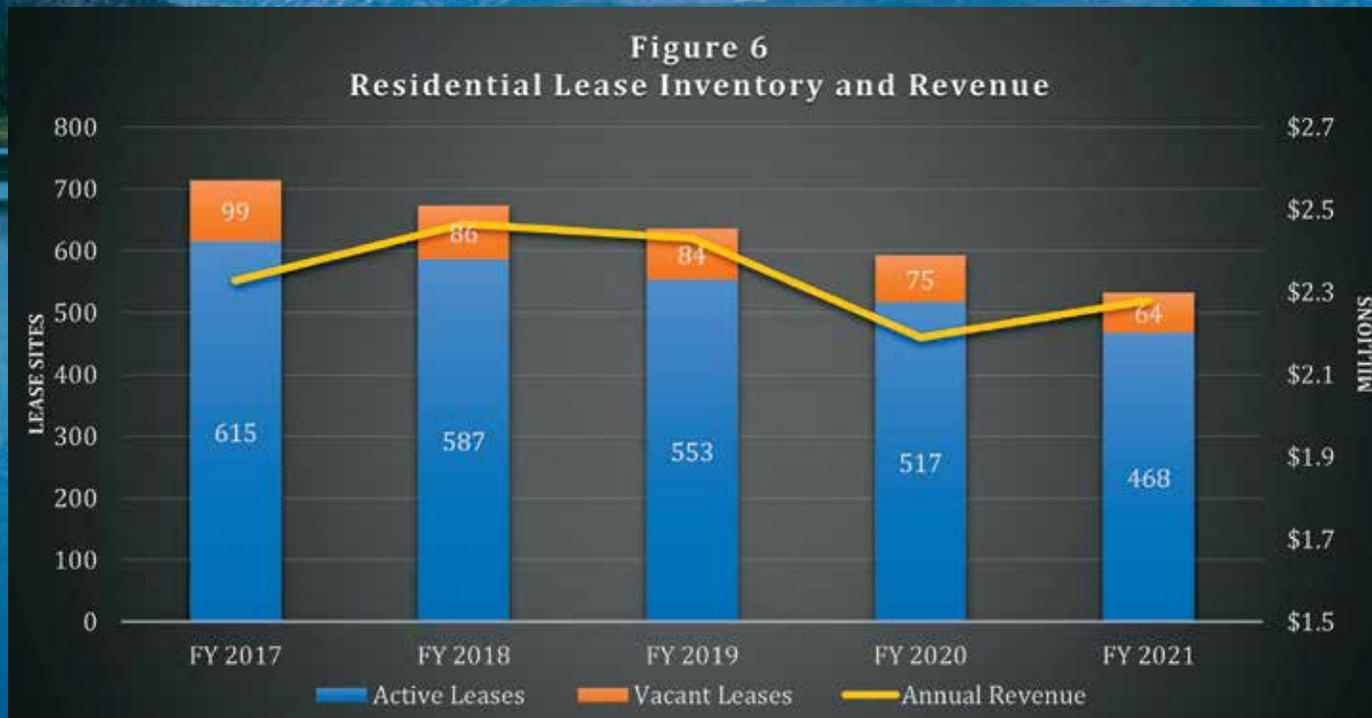
<b>Table 5</b>			
<b>LAND ACQUIRED FROM BLM IN-LIEU SELECTION FY 2021</b>			
<b>Name</b>	<b>Trust</b>	<b>Acres</b>	<b>Land Value</b>
Phase II	Common Schools	5,816.63	\$2,291,756
<b>Total Land Acquired</b>		<b>5,816.63</b>	<b>\$2,291,756</b>

<b>Table 6</b>			
<b>LAND ACQUIRED THROUGH LAND DONATION FY 2021</b>			
<b>Name</b>	<b>Trust</b>	<b>Acres</b>	<b>Land Value</b>
LBO Properties Donation	Common Schools	292.94	\$900,000
<b>Total Land Acquired</b>		<b>292.94</b>	<b>\$900,000</b>

<b>Table 7</b>			
<b>LAND ACQUIRED THROUGH LAND EXCHANGE BY TRUST FY 2021</b>			
<b>Name</b>	<b>Trust</b>	<b>Net Acres Gained</b>	<b>Net Land Value Gained</b>
MDC-Boulder Land Exchange	Deaf & Blind School	123.101	\$31,500
<b>Total Land Acquired</b>		<b>123.101</b>	<b>\$31,500</b>

## RESIDENTIAL LEASES

In FY 2021, two rounds of bidding yielded thirty-five bids and ultimately resulted in fifteen new cabin site leases. This bidding activity represents 19% of the available vacant leases, and the average bid rate was 5.4% of the land value. Over the year, 101 new leases were executed, including the renewal of 86 existing leases. The cabin site lease vacancy rate at the end of FY 2021 is 12% largely due to sales of active lease sites from the inventory. *Figure 6* shows residential lease inventory and revenues from FY 2017 – FY 2021.





## COMMERCIAL LEASING

In FY 2021, the bureau executed one new commercial development lease and two new lease options that together generated \$55,656 in revenue. Two requests for proposals (RFPs) closed in FY 2021. One received no proposals and one resulted in a lease contract. Two new RFP's were released before the close of FY 2021 and will be evaluated for proposal in early FY 2022.

At the end of FY 2021, there were five active commercial lease options and 128 active commercial leases on trust land, which includes all leases that are not agriculture, grazing, or residential in nature. Hydro-electric leases generated \$5.11 million in revenue, which are normally distributable, however, these funds (\$24.5 million to date) are currently held in escrow pending a court challenge by Avista Corporation over state riverbed ownership.

TABLE 8 FY 2021 NEW LEASES				
Name	Location	Acres	Annual	
InterBel Telephone Cooperative, Inc.	Flathead County	.2	\$3,500	
<b>Total New Leases</b>		<b>.2</b>	<b>\$3,500</b>	
FY 2021 NEW LEASE OPTION				
Name	Location	Acres	Annual Option Fee	Annual Base Rent Upon Lease (hypothetical)
Daisy Dean Expansion of Martinsdale Wind Farm	Wheatland County	1,910.2	\$13,370	<i>Greater of 4% of Land Value, or \$3,300/MW Installed, or 3% of Gross Revenues</i>
Mountaineer Development I, LLC	Flathead County	22.4	\$38,786 1 <sup>st</sup> year fee	\$106,661 1 <sup>st</sup> year

## RIGHTS-OF-WAY/EASEMENTS

The Right of Way Section processed and brought 135 Rights-of-Way (ROW) applications to the Land Board for approval in FY 2021. Historic right of way application numbers was down during the year as most utility infrastructure has been processed in the preceding years. Staff within Trust Lands Management Division continued to work with county governments with regard to county road encroachments and processed several new applications during the year. With the sunset of the historic right of way statute in October of 2021, the expectation is that an influx of applications will occur prior to the end date.

FY 2021 revenue increased substantially over the previous fiscal year because of a significant easement grant to the Department of Fish, Wildlife and Parks for the Big Arm State Park. This single easement provided a boost to the Common Schools permanent fund in the amount of \$10,054,000. The remaining easement grants through the year produced revenue for the various trust funds in the amount of \$686,555 and consisted of historic easement grants and other uses such as new utility infrastructure, oil and gas pipelines, private access roads and state highway reconstruction.

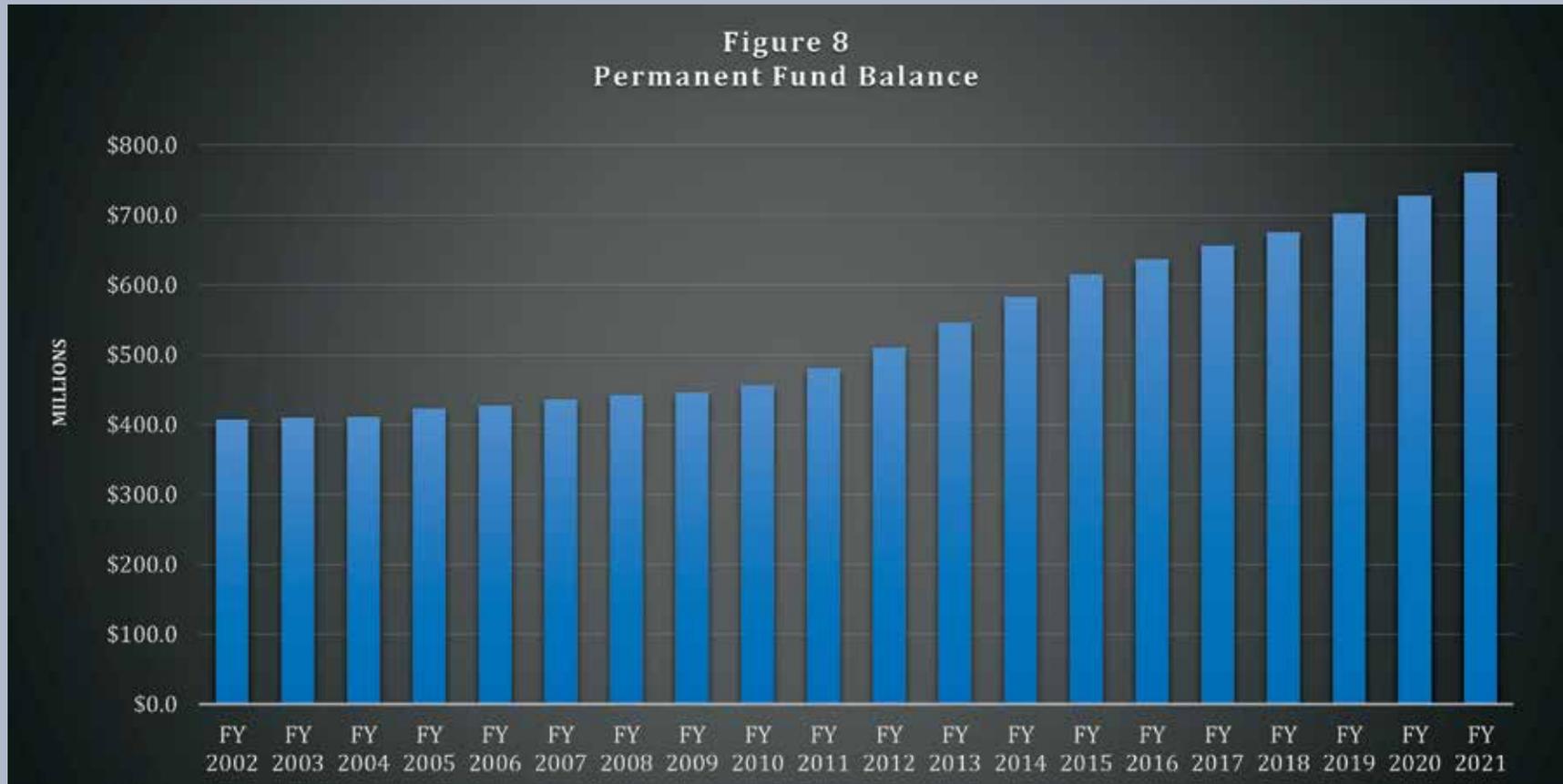
Staff in the ROW Section continues to explore opportunities to acquire legal access to trust lands across the state. With the changing ownership pattern of large timber lands in Northwest Montana the focus was on acquiring as much access to the timber land base as possible. As a result, two significant reciprocal agreements occurred with SPP Montana in FY 2021 that provided access to 6,200 acres of Trust Land. Additional reciprocal agreements occurred with small, private landowners in the eastern portion of the state which gives the state legal access to 1,150 acres of grazing land, some with the potential of commercial development. Staff continue to work on cost share and reciprocal easement exchange packages with the US Forest Service, with several in various stages of completion.



# FINANCIAL HIGHLIGHTS

## THE PERMANENT FUND

Under the Enabling Act, proceeds from the sale and permanent disposition of any of the trust lands, or part thereof, shall constitute permanent funds for the support and maintenance of public schools and the various state institutions for which the lands had been granted. The Montana Constitution provides that these permanent funds shall forever remain inviolate, guaranteed by the state of Montana against loss or diversion. These funds are often referred to as “non-distributable.” *Figure 8* shows the Permanent Fund balance over the last 20 years. The balance of the permanent fund was \$760,745,058 for FY 2021.



\*The 2001 Legislature passed Senate Bill 495, which authorized the department to obtain a loan from the Coal Severance Tax Trust Fund and purchase mineral production rights from the Common Schools Trust. The loan amount of \$46.4 million was deposited into the Common Schools Permanent Fund in lieu of future mineral royalties in FY 2002. The loan was repaid during FY 2010, at which time the mineral royalties were deposited into the permanent fund once again.

## REVENUES

Figure 9 details the Net Revenue Distributions for the combined trusts over the last 10 years.

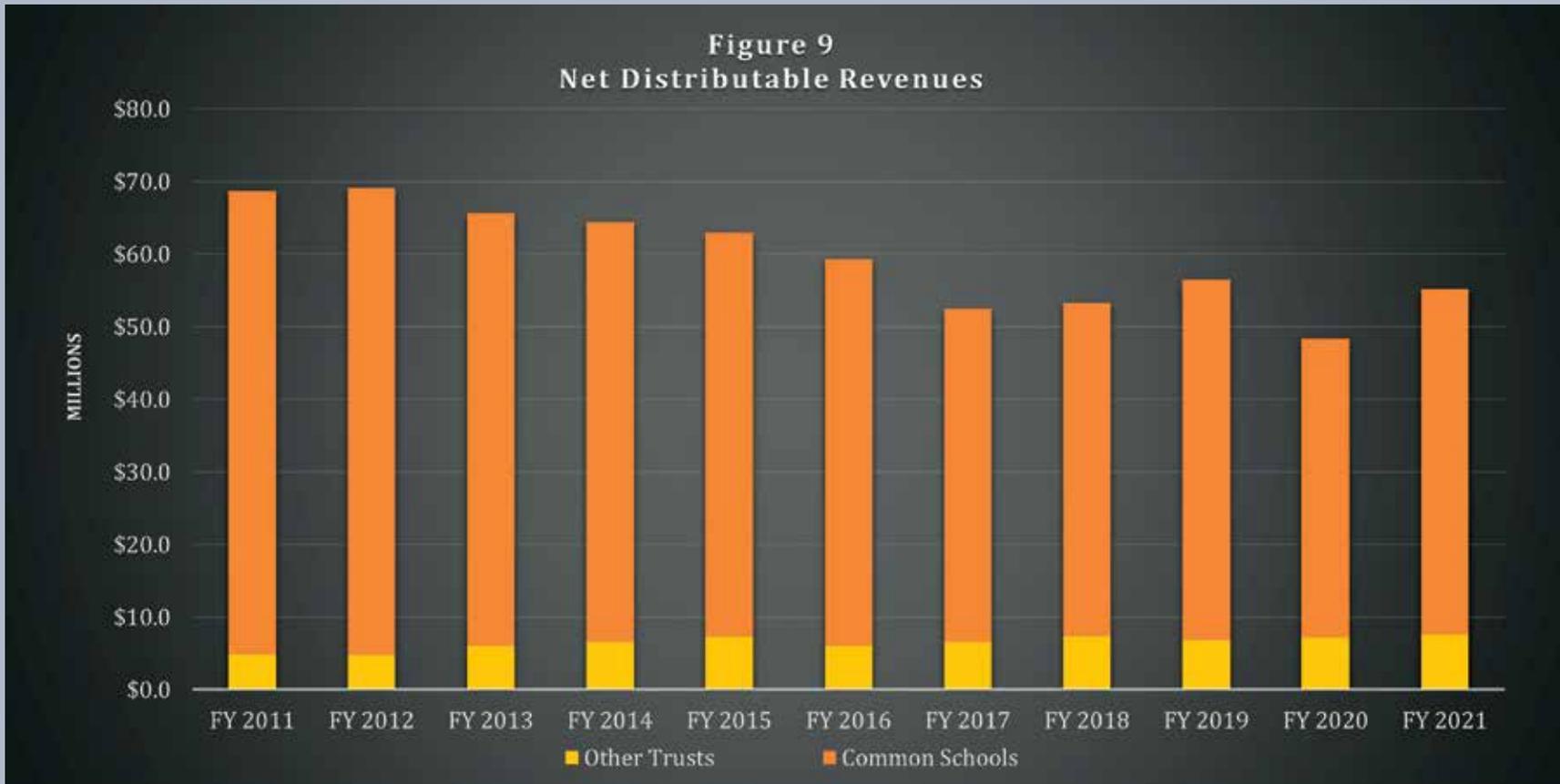


Table 9 shows the gross distributable and non-distributable interest and income proceeds for each of the trust beneficiaries for FY 2021. A small portion of trust revenues are used to fund administrative appropriations through the Trust Administration Account.

**TABLE 9  
REVENUES BY TRUST FY 2021\***

<b>Distributable Revenue Trust</b>	<b>Gross Distributable Revenues</b>	<b>Trust Earnings Reserves</b>	<b>Trust Admin Account <sup>(2)</sup></b>	<b>Net Distributable Revenues</b>	<b>Distributed to School Facility &amp; Technology Acct<sup>(5)</sup></b>
Common Schools <sup>(3) (4) (5)</sup>	\$57,065,459		\$9,512,353	\$47,553,106	\$4,585,754
Public Land Trust – Navigable Rivers <sup>(3) (5)</sup>	424,196		223,950	200,246	
The University of Montana	294,659		37,944	256,715	
MSU - Morrill Grant <sup>(1)</sup>	690,109			690,109	
MSU - Second Grant	2,420,346	209,500	485,247	1,935,100	
Montana Tech	1,711,402		327,972	1,383,430	
State Normal School	1,535,173	144,000	294,250	1,240,924	
School for the Deaf and Blind	473,402		197,654	275,748	
State Reform School	572,036		201,989	370,047	
Veterans Home	15,972		10,596	5,376	
Public Buildings	2,189,735		619,908	1,569,827	
MT Developmental Center	6,478	480	156	6,322	
MT State Hospital	6,478	476	154	6,324	
Lands Acquired - Public School <sup>(3) (5)</sup>	49,731		13,623	36,108	
<b>Total</b>	<b>\$67,455,174</b>	<b>\$354,456</b>	<b>\$11,925,796</b>	<b>\$55,529,382</b>	
<b>Nondistributable Revenue Trust</b>	<b>Gross Nondistributable Revenues</b>			<b>Net Nondistributable Revenues</b>	<b>Permanent Fund Balance</b>
Common Schools - permanent	\$31,765,726			\$31,765,726	\$701,968,668
Public Land Trust – Navigable Rivers	547,204			547,204	12,300,122
The University of Montana	3,769			3,769	1,657,273
MSU - Morrill Grant <sup>(1)</sup>	17,211			17,211	5,451,159
MSU - Second Grant	78,437			78,437	12,688,486
Montana Tech	25,008			25,008	7,264,916
State Normal School	51,460			51,460	6,737,109
School for the Deaf and Blind	985,663			985,663	7,058,061
State Reform School	98,170			98,170	5,539,643
Veterans Home					48,923
Lands Acquired - Public School	1,900			1,900	30,699
<b>Total</b>	<b>\$33,574,548</b>			<b>\$33,574,548</b>	<b>\$760,745,059</b>

\* Trust balances reflect deposit activity by DNRC and do not include valuation adjustments from investment activities by the Board of Investments.

<sup>(1)</sup> MSU-Morrill Grant administrative costs were transferred to the appropriation from fund 02297 per House Bill 19.

<sup>(2)</sup> Trust Land Administration Account reflects the FY 2021 actual expenditures and accruals by trust.

<sup>(3)</sup> Less 5% to permanent fund.

<sup>(4)</sup> Org 59 STIP and Trust & Legacy Revenue.

<sup>(5)</sup> School Facility and Technology Fund (77-1-218, MCA).

## SCHOOL FACILITY AND TECHNOLOGY ACCOUNT

The School Facility and Technology Account is managed by the Department of Commerce. This account contains certain revenues from the sale of timber on Common Schools' land, as defined in 20-9-516, MCA, revenues from activities on the Lands Acquired Trust, and Public Land Trust – Navigable Rivers. TLMD generated \$4,586,561 for the year, including revenue of \$4,516,316 from the sale of timber on Common Schools' land (in excess of 18 million board feet (MMBF)), \$18,613 from hydro lease revenue on the Public Land Trust, and \$51,632 from grazing leases, timber sales, commercial licenses and recreational use on the Lands Acquired Trust in the Potomac area.

## SUMMARY – GROSS REVENUES

In addition to management activities on behalf of trust beneficiaries, the Trust Land Management Division generated other revenues and distributions in FY 2021. The five-year summary presented in *Table 10* shows gross revenues of more than \$107 million for all division activities. This table contains not only trust revenues, but also those revenues collected for other state entities, the General Fund, revenues generated to fund appropriations, and other miscellaneous revenues.



**TABLE 10  
FIVE-YEAR SUMMARY OF GROSS REVENUE GENERATED BY ACTIVITY**

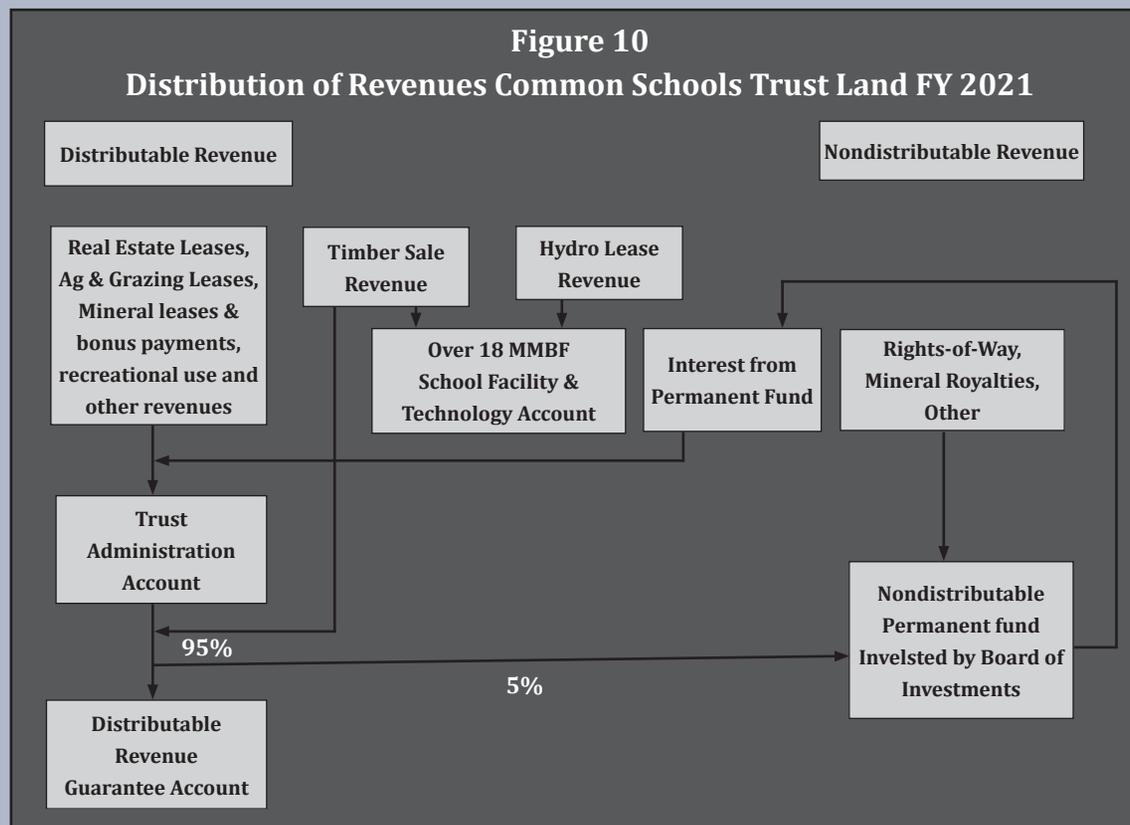
<b>Activity</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY2021</b>
Agriculture & Grazing Management					
Grazing Leases	\$14,174,423	\$11,427,352	\$13,499,087	\$13,348,287	\$13,778,502
Agriculture Leases	13,735,506	14,821,916	16,777,948	14,898,934	16,818,777
<b>Totals</b>	<b>27,909,929</b>	<b>26,249,268</b>	<b>30,277,035</b>	<b>28,247,221</b>	<b>30,597,279</b>
Recreational Use					
General Licenses	87,800	88,652	149,856	203,681	225,132
Conservation Licenses	993,414	940,904	999,938	1,052,910	1,170,162
Special Recreation Use Licenses	157,591	143,055	191,600	171,522	199,694
<b>Totals</b>	<b>1,238,805</b>	<b>1,172,611</b>	<b>1,341,394</b>	<b>1,428,113</b>	<b>1,594,988</b>
Forest Management					
Timber Sales	9,683,017	9,601,084	9,598,881	8,325,644	12,822,559
Forest Improvement Fees	1,275,232	1,084,043	896,366	742,327	1,558,230
<b>Totals</b>	<b>10,958,249</b>	<b>10,685,127</b>	<b>10,495,247</b>	<b>9,067,971</b>	<b>14,380,789</b>
Minerals Management					
Oil & Gas Revenues					
Rentals/Bonuses/Penalties	1,649,392	3,110,997	2,208,226	1,198,953	729,958
Royalties	7,486,741	9,659,886	10,408,310	7,026,806	6,033,658
Seismic Exploration	0	1,217	1,016	3,635	0
Aggregate Minerals					
Rentals/Bonuses	400	0	600	1,600	200
Royalties	291,048	553,265	382,965	375,333	294,786
Coal					
Rentals/bonuses	45,696	59,075	38,317	25,046	13,526
Royalties	6,801,760	6,832,266	11,370,152	13,672,960	13,124,951
Other Minerals					
Rentals/Penalties	16,692	37,068	12,043	23,103	35,103
Royalties	12,082	1,020	40,103	79,854	59,983
<b>Totals</b>	<b>16,303,811</b>	<b>20,254,794</b>	<b>24,461,732</b>	<b>22,407,290</b>	<b>20,292,165</b>
Real Estate Management					
Rights-of-way/Easements	1,272,013	857,646	2,102,621	1,592,694	10,742,105
Residential Leases/Licenses	2,356,628	2,488,304	2,452,520	2,220,310	2,306,766
Other Leases/Licenses					
Commercial	2,029,069	2,051,577	2,489,005	2,249,274	2,366,942
Conservation	97,751	97,922	18,204	15,615	16,115
Other	61,298	20,121	31,591	28,867	26,083
Hydro Leases/Navigable Rivers	19,841	13,244	16,137	18,693	18,613
<b>Totals</b>	<b>5,836,600</b>	<b>5,528,814</b>	<b>7,110,078</b>	<b>6,125,453</b>	<b>15,476,624</b>
Other					
Trust and Legacy Interest	23,631,102	22,961,850	24,324,125	24,201,939	24,769,102
Other Revenues	359,721	628,149	1,198,900	595,344	233,897
<b>Totals</b>	<b>23,990,823</b>	<b>23,589,999</b>	<b>25,523,025</b>	<b>24,797,283</b>	<b>25,002,999</b>
<b>TOTALS</b>	<b>\$86,238,217</b>	<b>\$87,480,613</b>	<b>\$99,208,511</b>	<b>92,073,332</b>	<b>107,344,844</b>

## REVENUE DISTRIBUTION - COMMON SCHOOLS, UNIVERSITIES, AND OTHER TRUSTS

The distribution of revenues generated from Common Schools trust land is illustrated in *Figure 10*. From the distributable receipts, a small percentage is used to fund the Trust Administration Account (see *Table 9*). Ninety-five percent of the remaining distributable revenue is distributed yearly to the state Guarantee Account for use by public schools of the state. The Permanent Fund comprises the other 5 percent, together with nondistributable revenue. The interest earned on the Permanent Fund is also distributed to the Guarantee Account for use by public schools, with the exception of 5 percent, which is returned to the Permanent Fund for reinvestment.

Distribution of revenues to the university trusts and other trusts is similar to that of the Common Schools trust. The exception is the MSU-Morrill Grant, whose administrative costs are funded by the General Fund (House Bill 19, 2007 legislature). For the University System trusts, timber sale revenues are considered distributable. The Public Buildings trust does not have a permanent fund; therefore, remaining receipts are distributed to the Department of Administration.

In addition to state trust land, the division manages some land for other agencies. Revenue generated from other agency land is transferred directly to the appropriate state agency.



**TABLE 11  
ACRES BY TRUST**

<b>Trust</b>	<b>Surface Acres*</b>	<b>Mineral Acres*</b>
Common Schools	4,643,570	5,606,558
University of Montana	17,161	33,500
MSU - Morrill Grant	63,474	77,929
MSU - Second Grant	31,785	46,598
Montana Tech	63,441	86,267
State Normal School	63,571	80,455
School for the Deaf and Blind	36,615	41,171
State Reform School	67,663	73,488
Veterans Home	1,417	1,276
Public Buildings	185,408	172,323
Acquired Lands	32,295	0
Public Land Trust – Navigable Rivers	4,498	20,135
Sir Trust**	2,600	0
<b>Total</b>	<b>5,213,498</b>	<b>6,239,700</b>

\* TLMS Acreage Query as of 6/02/2021. Mineral acres are based on Oil & Gas acres

\*\* Sir Trust is split equally between the School for the Deaf & Blind, the Montana Developmental Center, and the Montana State Hospital





# Montana State Trust Lands Return on Assets FY 2021

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## Trust Lands Management Division Mission

Manage the State of Montana's trust land resources to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land.

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# PREFACE

This Return on Assets Report is an annual publication from the Trust Lands Management Division (TLMD) of the Department of Natural Resources and Conservation (DNRC) detailing the earnings and business trends of state trust land and mineral management. This edition of the Return on Assets Report covers fiscal year 2021 (FY 2021), which began July 1, 2020 and ended June 30, 2021.

The Return on Assets Report is comprised of three sections which examine market conditions affecting trust revenues; return on assets for each trust; and land management program performance, including classified forest lands returns as required by law, see (MCA 77-1-223) and (MCA 15-44-103).

The Return on Assets Report is made available with specific accounting limitations. This report is not an official income or cash flow statement. Asset values and returns are estimated based on the best available data, revenues and expenses may vary from those reported in DNRC's Annual Report due to the inclusion or exclusion of specific accounts. Returns reported are income returns which do not account for year-over-year changes in asset values. Finally, unless otherwise noted, dollar values throughout the report are expressed in nominal terms.



# MARKETS

Montana state trust lands are, principally, working lands. These lands are held in trust for the perpetual yield of revenues to support Montana’s public education institutions. The majority of business transactions on school trust lands are the result of derived demand for land and resources in open markets. For example, grazing land must be leased by private ranching operations as part of their business operation to raise and sell livestock. Grazing land rental value is thus derived from and directly connected to the supply and demand for U.S. livestock. Changes in consumer preferences for beef (i.e. changes in the direct demand for beef) could affect the rental value and contracting opportunity on school trust lands.

Though most business generated by the school trust lands occurs in traditional industries (i.e. commercial forest products, livestock grazing, irrigated and dryland agriculture, energy and mineral resource development, and real estate development) there are a few alternative revenue streams generated from recreation, ecosystem services and technology related industries. For both the traditional and emerging business revenue streams, future opportunities for revenue center around land use and depend on local, national and global economic conditions and market trends.

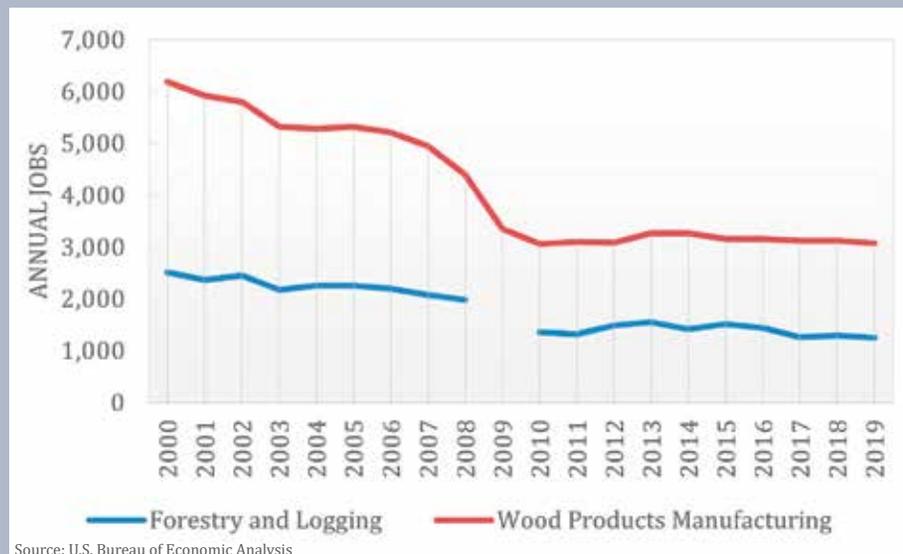


# TIMBER AND FOREST PRODUCTS

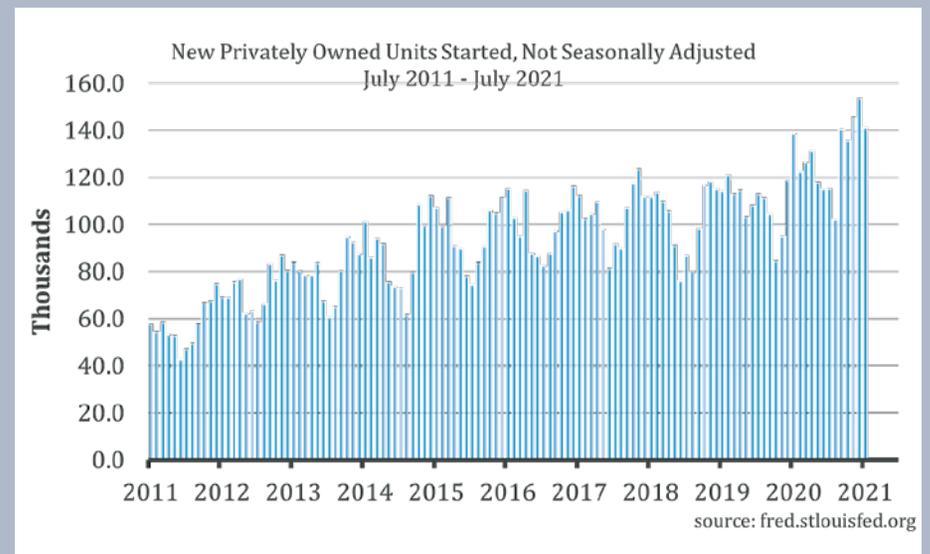
Indicators for timber and forest products industry health in Montana include private sector employment, forest product prices, and quantities of timber harvested and sold from various land ownerships. Demand for timber and subsequent timber contract prices are derived ultimately from consumer demand for lumber and other finished forest products.

In Montana, where many rural economies are supported by logging services and forest products manufacturing, it's important to observe industry trends from a private employment perspective. *Figure 11* shows statewide industry employment trends with an approximate fifty percent decline in total employment from 2000 to 2019. From a historic perspective, sawmills, paper mills, and other forest products manufacturing has lost a tremendous amount of invested capital, due to a multitude of external reasons. Some of the impacts to the industry have included: local supply shortages, international trade agreements, and shocks to lumber prices resulting from financial sector securitization excess and the 2008-2012 mortgage crisis and housing recession. Forest products markets were on an upswing through FY 2021, as housing starts rapidly recovered from an early 2020 Covid-19 related slowdown *Figure 12* and an increased demand for lumber created low inventories and supply chain backlogs, resulting in record lumber prices. Lumber traded at an all-time high, hitting its peak in May 2021.

**Figure 11. Montana Forestry and Forest Product Private Employment**



**Figure 12. Monthly National Housing Starts, 2011-2021, thousands**



# AGRICULTURE AND GRAZING

Indicators for agriculture and livestock grazing industry health in Montana include private sector employment, crop and livestock prices, farm production quantities, and gross farm sales. Demand for agriculture and range land and subsequent land lease prices are derived ultimately from consumer demand for crops, and food, including meat.

Montana’s agriculture sector is vast and provides a high percentage of jobs in many rural communities across the state. Additionally, Montana’s agriculture production is tracked by USDA, and other entities. For a quick look at industry trends, *Figure 13* shows inflation adjusted gross agriculture product across Montana. Sales have dropped in recent years but have not departed from historic variation and reversed the downward trend in 2019. Final ag production statistics for 2020 in Montana are not yet available. Trust Lands grazing revenues are linked to cattle prices, shown in *Figure 14*. For most of FY21, feeder markets trended upward, despite a drought-driven selloff which began in the last months of FY21.

**Figure 13. Montana Agriculture Production Value (2015 adjusted dollars)**



Source: [www.nass.usda.gov](http://www.nass.usda.gov) (the 2019 publication does not provide these values for 2019 at the time of this publication.)

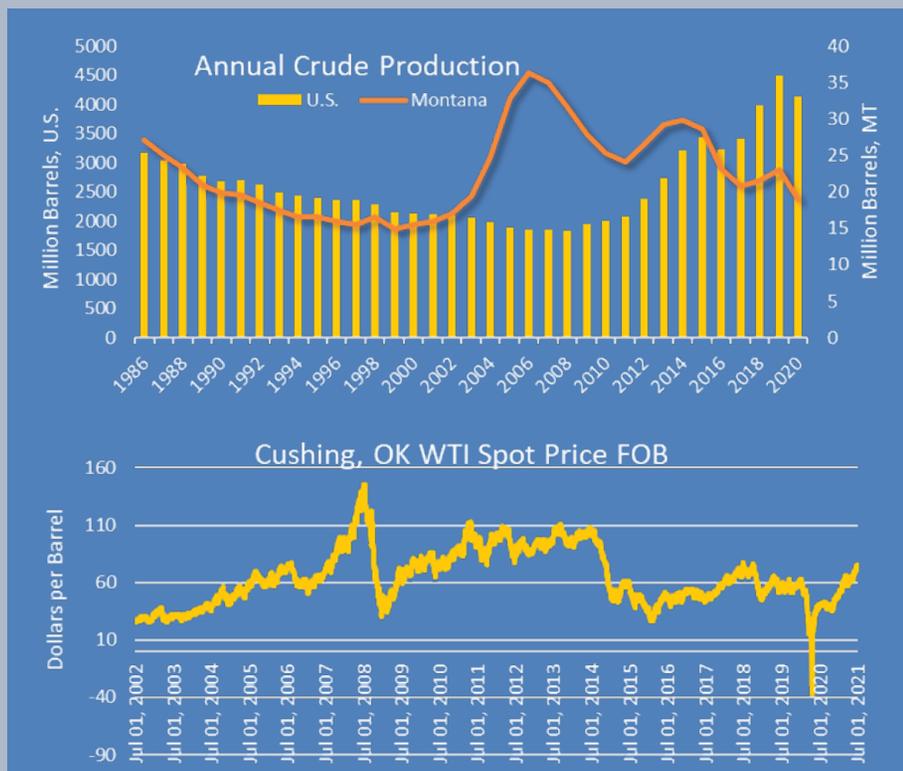
**Figure 14. U.S. Cattle Prices Received**



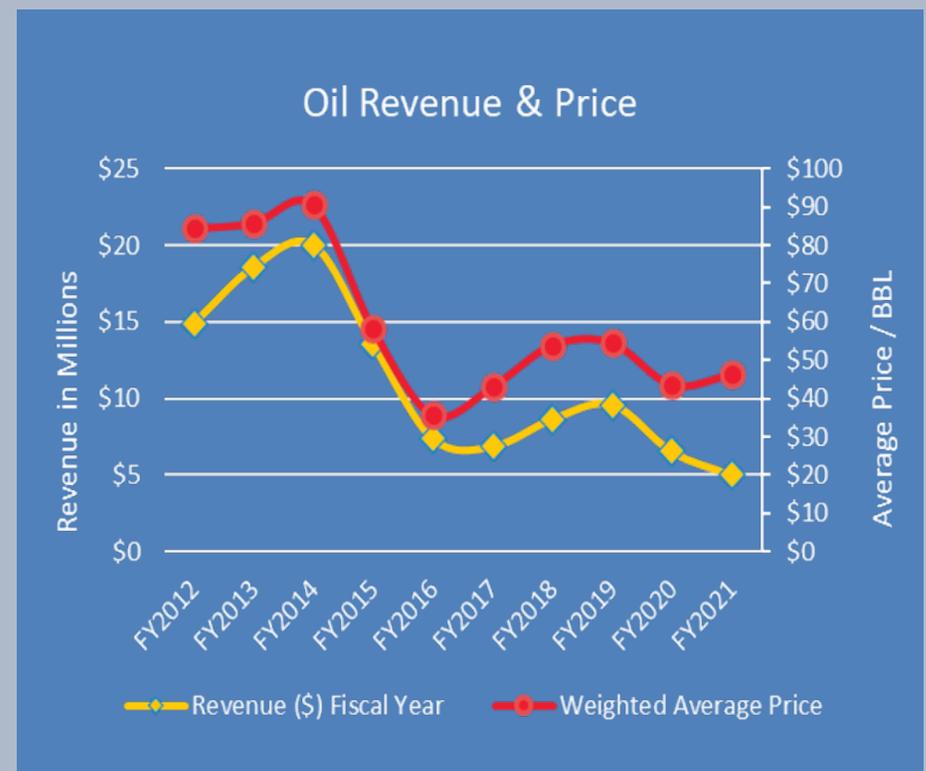
# MINERALS

The Minerals Management Bureau is responsible for leasing, permitting and managing approximately 1,200 oil and gas, coal and other mineral agreements on nearly 476 thousand acres of the 6.2 million acres of school trust mineral rights throughout Montana. Most revenue generated by the Minerals Program comes from oil and coal markets. Oil production, and prices received, in Montana are driven by national oil markets as depicted in *Figure 15*. In *Figure 16*, the oil supply glut can be observed as sharply reduced prices and domestic production, which in turn impacted trust mineral revenues in fiscal years 2015 and 2016. Oil prices and revenues had partially recovered since fiscal year 2016, however the market hit an unprecedented negative price early in calendar year 2020. Coal royalties are the largest revenue source in the Minerals Program, followed by oil.

**Figure 15. Crude Oil Production and Prices, U.S. and Montana**



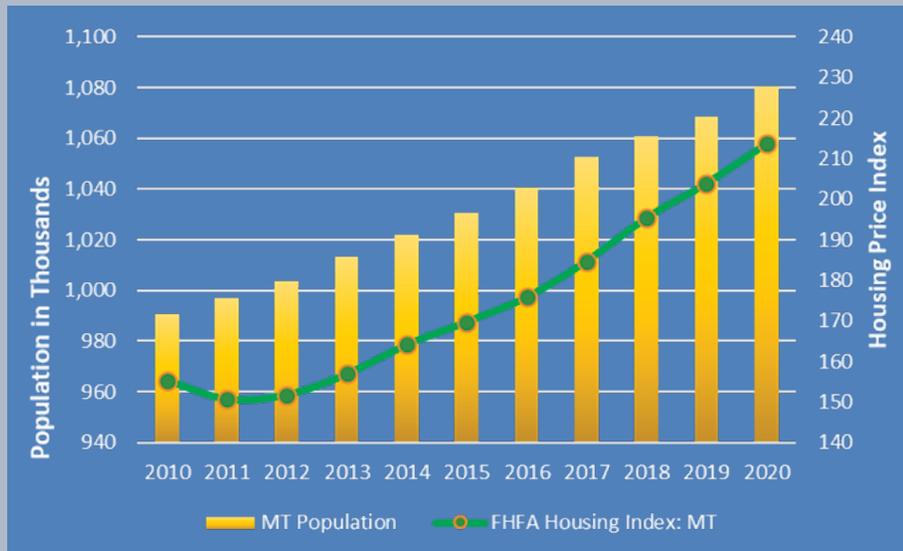
**Figure 16. DNRC Minerals Management Oil Revenues and Market Price (FY 2012-2021)**



# REAL ESTATE

Less than one percent of statewide surface ownership is classified other, designating properties under lease or development for real estate purposes. The primary categories of leasing revenue within the Real Estate Program are driven by residential home site and cabin site leasing, and commercial leasing for a variety of purposes. Real estate lease revenues for residential or commercial use are driven by the value of Trust Land parcels, which tend to respond to trends in population and housing prices as shown in *Figure 17*, as well as other factors such as employment, consumer spending and business investment. Montana employment in Real Estate leasing and Building construction is illustrated in *Figure 18*. Revenues from Trust Lands real estate leasing activities improved over FY 2020, as shown in *Table 17* of this report.

**Figure 17. Montana Population and Housing Price Index, 2010-2020**



**Figure 18. Montana Real Estate Rental and Construction Employment**

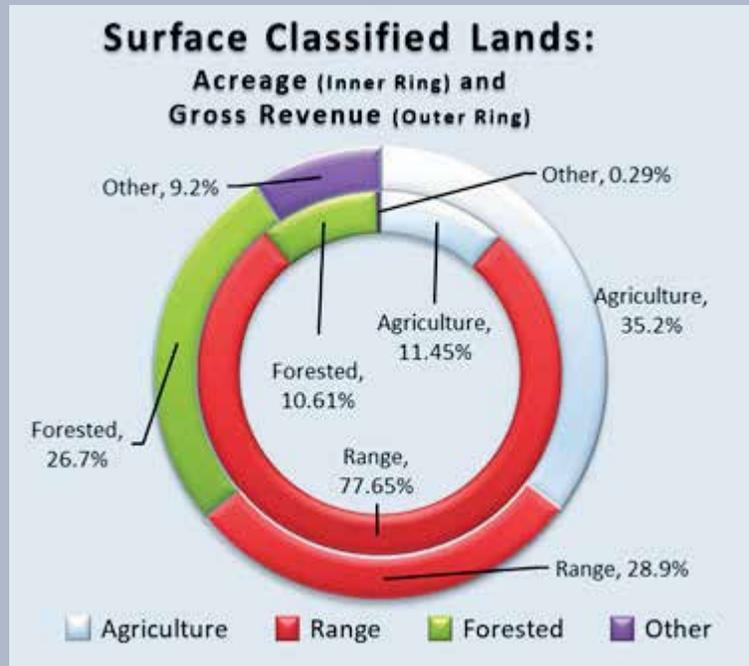


Rights-of-way revenues have also been a significant portion of Real Estate revenues. These are more difficult to forecast, as they are largely driven by outside requests. Many counties are still working through the historic road rights-of-way process, and new access agreements in support of other property sales, exchanges, and developments will likely continue to bring in revenues over future years.

# STATE TRUST PERFORMANCE

Montana state trust surface and mineral rights total 5.2 million surface acres and 6.2 million subsurface acres, respectively. *Figure 19* highlights the approximately 78 percent of trust surface acres that are classified as grazing lands, which are located primarily east of the continental divide. The remaining acres are classified as agriculture and forested lands, at 11 and 10 percent of total surface ownership, respectively. Finally, less than one percent of the trust portfolio surface acreage is designated for developed real estate business activities including residential, commercial, community, and conservation properties. *Figure 19* also illustrates the gross revenue contributions from each classification of surface lands. License revenues are excluded from this calculation, as they can be generated on any classification of land as a secondary use.

**Figure 19. Trust Land Acreage and Gross Revenue by Land Class**

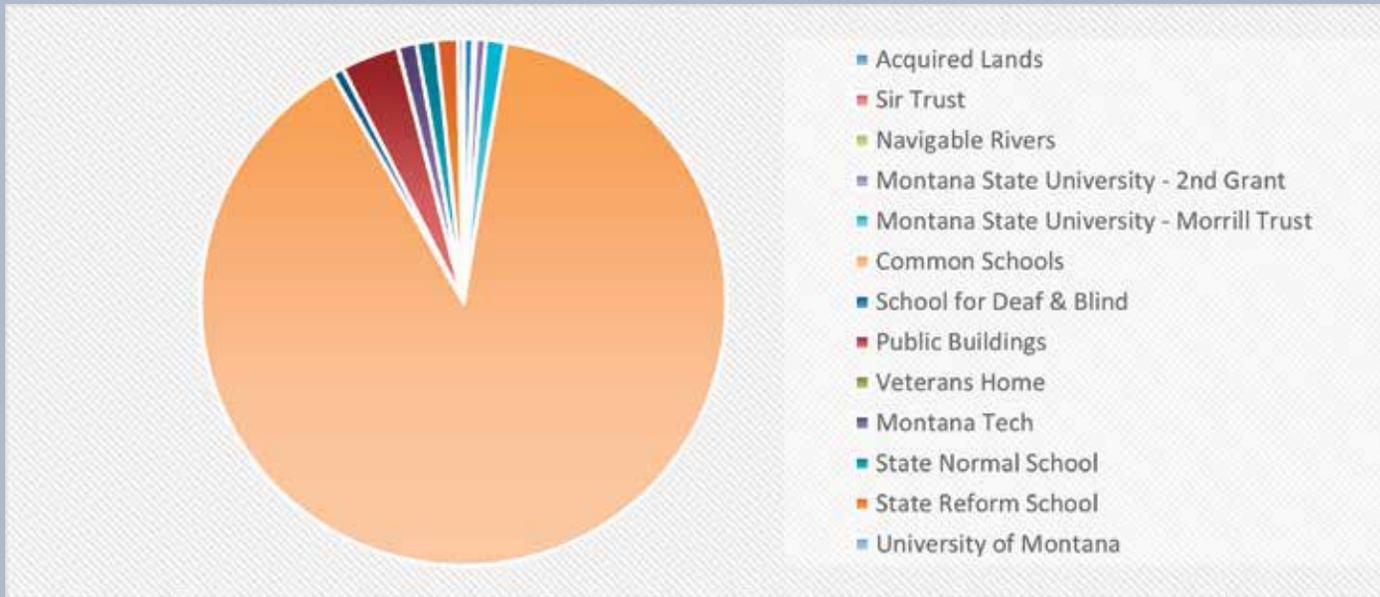


These multi-category lands represent the bulk of school trust assets, the remaining assets are fixed investments in commercial and government bonds. Land asset values, which are important for benchmarking the financial performance of trust land business over time, are largely estimated. The exception to this is when transaction evidence is available to trust land managers. Since 2003, land banking legislation (MCA 77-2-361-367) has legally permitted a limited number of state trust parcels to be exchanged, bought or sold through careful provisions. While operating to improve income generation, accessibility, and other parallel land management objectives, the Land Banking Program also produces data on the value of a limited number of trust surface parcels. These data, in combination with USDA National Agriculture Statistics Service (NASS), help support the evaluation of aggregated asset values. Finally, mineral rights are excluded from valuation estimates in this report, because mineral estate rights are permanently reserved assets of the State (MCA 77-2-304) and cannot be sold, except by a rental and royalty basis as provided by law.

To better understand the diversity of ownership in the school trust portfolio, *Figure 20* and *Table 11* share the percentage and total acreage of surface ownership represented by the various trust beneficiaries, respectively. The largest single trust is Common Schools which owns over 90 percent, or 4.6+ million acres of all school trust land in Montana. The remainder of school trusts make up a small portion of the total business volume and surface ownership of the trust portfolio. Ownership percentages can shift over time, depending on sales and acquisitions resulting from land banking and exchanges. Such occurrences would typically reflect changes in acreage, rather than asset book values, due to requirements to exchange land of par values.

In the central columns of *Table 11*, existing surface ownership details are provided. Mineral estate ownership details are shown in the right most column. Overall, a very small portion of mineral acreages will ever be developed.

**Figure 20. Trust Land Acreage by Trust Ownership**



**Table 12. Surface and Subsurface Estate Acres by Trust Ownership and Land Classification**

Trust	Agriculture Acres	Range Acres	Forested Acres	Other Acres	All Surface Acres*	Oil, Gas, Coal Estate Acres**
Common Schools	570,718	3,703,850	361,067	7,964	4,643,570	5,606,558
Public Buildings	5,304	106,442	71,841	1,821	185,408	172,323
MSU – Second Grant	84	9,043	22,320	338	31,785	46,598
MSU – Morrill Grant	2,030	55,876	5,522	45	63,474	77,929
State Normal School	2,908	45,810	14,661	190	63,571	80,455
Montana Tech	10,405	37,047	15,771	220	63,441	86,267
University of Montana	2,306	13,393	1,440	21	17,161	33,550
School for the Deaf & Blind	1,522	24,619	10,380	94	36,615	41,171
State Reform School	996	48,584	18,007	77	67,664	73,488
Veterans Home	90	1,270	0	57	1,418	1,276
Sir Trust	477	2,123	0	0	2,600	
Public Land Trust – Navigable Rivers	0	172	0	4,238	4,499	20,135
Acquired Lands – Public Schools	0	0	32,295	0	32,295	
<b>Total</b>	<b>596,841</b>	<b>4,048,228</b>	<b>553,304</b>	<b>15,065</b>	<b>5,213,500</b>	<b>6,239,750</b>

\*Total acreage may differ from other reports due to the timing of sales and acquisitions through Land Banking and Cabinsite Sales.

\*\*Oil & Gas acreage used for reporting. True acreage when including Coal Estate acres having no overlapping Oil & Gas rights would be larger.

Table 12 reports historical USDA National Agricultural Statistics Service (NASS) survey data on farm real estate values in Montana from 2012 to 2021. NASS data are not region specific but are useful as an aggregated observation of rural and working land value trends in Montana.

**Table 13. Annual Montana Farm Real Estate Values (Acres and U.S. dollars reported by USDA NASS 2012-2021)**

Calendar Year	All Farm Land		Agricultural Crop Land		Range, Pasture Land	
	Price/Acre	Annual Change (%)	Price/Acre	Annual Change (%)	Price/Acre	Annual Change (%)
2012	760	7.00	853	5.70	570	7.50
2013	790	3.90	890	4.20	580	1.80
2014	860	8.86	987	10.90	640	10.34
2015	890	3.49	997	1.01	650	1.56
2016	900	1.12	1010	1.30	650	0.00
2017	917	1.89	1010	0.00	660	1.54
2018	916	-0.11	1020	0.99	667	1.06
2019	915	-0.11	1040	1.96	680	1.95
2020	915	0.00	1030	-0.96	680	0.00
2021	930	1.64	1050	1.94	700	2.94

**Table 14. Average Trust Surface Asset Values by Area and Classification (U.S. dollars per acre estimated by DNRC FY 2021)**

Land Office	Agriculture Average Asset Value/Acre	Grazing Average Asset Value/Acre	Forest Average Asset Value/Acre
Central	851	748	1059
Eastern	365	250	0
Northeastern	607	314	354
Northwestern	2426	1495	2057
Southern	911	562	0
Southwestern	1335	998	1352

\* Real estate values reflect existing DNRC land appraisals, proximity to urban areas, and other developed land market factors, and vary widely within Area Offices. Annual adjustments are made using average land appreciation. Land appraisals do not include privately owned structures on cabin sites, or other real estate improvements.

Table 14 reports FY 2021 estimated average asset values on a per acre basis. These values are appreciated from a FY 2011 baseline valuation with a conservative methodology utilizing the trend data provided by the USDA in Table 13. Rural and forested lands are appreciated based on a proportion of appreciation reported annually by USDA farm and rural land surveys. Real estate and other special use lands are valued using the same approach except where existing appraisals (i.e. transaction evidence) can provide timely market valuation data. Forest land valuation is commonly estimated using income-approach methods. In the case of school trust lands, and for tracking and benchmarking assets over multiple years, a less volatile valuation methodology, which can account for real estate and alternative values, is preferred.

Table 15 reports FY 2021 beginning estimated total asset values for each trust. Trust real assets totaled approximately \$3.477 billion. These sums are derived through the application of Table 15 data with Table 12 current classified acres.

**Table 15. Total Average Surface Estate Assets by Trust and Classification (U.S. dollars estimated by DNRC FY 2021)**

	Agriculture Assets	Grazing Assets	Forest Assets	Other Assets	Total Assets*
Common Schools	361,395,374	1,612,448,983	650,081,334	101,260,497	2,725,186,188
Public Buildings	3,805,331	73,756,284	125,058,137	7,812,183	210,461,934
MSU – Second Grant	74,569	6,822,573	38,529,555	9,024,186	54,450,884
MSU – Morrill Grant	1,427,706	35,313,119	9,850,023	1,175,612	47,766,460
State Normal School	1,843,270	27,159,874	26,778,069	2,764,334	58,545,546
Montana Tech	7,147,730	20,520,938	28,473,635	9,689,806	65,832,108
University of Montana	1,453,003	5,674,269	2,059,323	1,102,249	10,288,844
Deaf & Blind School	1,092,706	17,103,282	19,882,782	3,237,546	41,316,316
State Reform School	779,264	31,011,532	21,814,349	4,000,460	57,605,605
Veterans Home	218,298	398,680	0	2,356,421	2,973,398
Sir Trust	174,127	531,665	0	0	705,792
Public Land Trust – Navigable Rivers	0	64,847	0	158,435,487	158,500,334
Acquired Lands – Public Schools	0	0	43,654,011	0	43,654,011
<b>Total Assets</b>	<b>379,411,377</b>	<b>1,830,806,046</b>	<b>966,181,217</b>	<b>300,858,780</b>	<b>3,477,257,420</b>

\* Excludes mineral rights and Permanent Fund valuations.

Table 16 reports FY 2021 trust lands management net income by trust. MSU-Morrill Trust shows a 95% Profit Ratio due to its unique funding mechanism; these management costs are not funded from the gross revenues but rather appropriated separately and legislatively capped.

The Sir Trust, included in acreage and asset tables above, does not hold financial accounts. Revenues generated on parcels acquired in the Sir Trust are split across three small trusts: the MT Development Center, the MT State Hospital, and the School for the Deaf & Blind.

**Table 16. Net Revenues by Trust (U.S. dollars estimated by DNRC 2021)**

	SubSurface Assets	Surface Assets					Subtotal: Surface Asset**	Net from Other Assets	Total Net Operating Income	Profit Ratio
	Minerals Management	Ag and Grazing Management	Rec Use	Real Estate Management	Forest Management	Land Services*				
Common Schools	\$18,731,116	\$26,685,035	\$1,198,408	\$2,113,874	\$4,218,466	\$9,545,536	\$43,761,318	\$19,262,834	\$81,755,268	87%
Capitol Buildings	\$81,986	\$470,055	\$39,979	\$35,067	\$730,239	\$274,589	\$1,549,929	-\$181,242	\$1,450,673	59%
MSU – Second Grant	\$3,488	\$35,056	\$6,582	\$687,261	\$995,646	-\$30,727	\$1,693,817	\$374,164	\$2,071,469	79%
MSU Morrill	\$17,081	\$283,104	\$22,937	\$11,532	\$169,528	\$7,473	\$494,574	\$184,292	\$695,947	98%
Western / Eastern	-\$1,929	\$245,831	\$14,489	\$56,864	\$782,622	\$109,911	\$1,209,717	\$162,976	\$1,370,764	81%
Montana Tech	\$3,042	\$406,874	\$16,328	\$528,764	\$331,690	-\$52,686	\$1,230,696	\$180,405	\$1,414,417	80%
University of Montana	-\$111	\$150,763	\$3,889	\$69,938	-\$4,817	\$2,254	\$222,027	\$39,069	\$260,985	87%
Deaf & Blind School	\$2,008	\$122,091	\$11,291	\$57,084	\$901,731	-\$34,742	\$1,057,455	\$189,203	\$1,248,666	82%
Pine Hills School	-\$286	\$166,491	\$15,813	\$155,821	-\$39,076	\$39,908	\$338,958	\$136,884	\$475,556	70%
Veterans Home		\$5,986	\$413	\$4,295		-\$6,785	\$3,909	\$1,495	\$5,404	34%
Public Land Trust – Navigable Rivers		\$5,948	\$376				\$6,324	\$	\$6,324	98%
Acquired Lands – Public Schools		\$5,948	\$376				\$6,324	\$	\$6,324	98%
Common Schools	\$401,783	-\$378		-\$23,755		-\$23,099	-\$47,232	\$393,265	\$747,815	77%
Capitol Buildings		\$8,204	\$8,543		\$20,264	-\$964	\$36,046	\$957	\$37,003	63%
<b>Grand Total</b>	<b>\$19,238,177</b>	<b>\$28,591,007</b>	<b>\$1,339,422</b>	<b>\$3,696,745</b>	<b>\$8,106,293</b>	<b>\$9,830,668</b>	<b>\$51,564,136</b>	<b>\$20,744,302</b>	<b>\$91,546,615</b>	<b>85%</b>

\*Land services revenue includes Forest Improvement, right-of-way, licensing, and Other categorized payments.

\*\* Surface asset management costs reflect division costs excluding mineral program administration.

The net revenues in Table 16 reflect separating program expenses and revenues according to land classification categories, to support estimating the returns on those asset classifications. The following Program performance tables, starting with Table 17, reflect a more traditional look at totals by management program, and include some revenues on non-Trust lands.

Table 17 presents calculated income rates of return on land classifications by Trust, based on estimated asset values and revenues reported in other tables in this document.

**Table 17. FY 2021 Income Returns by Surface Lands Asset Class**

	Ag & Grazing	Forested	Other Real Estate	Surface Assets Income Returns***
Common Schools	1.4%	0.6%	2.1%	1.61%
Capitol Buildings	0.6%	0.6%	0.4%	0.74%
MSU – Second Grant	0.5%	2.6%	7.6%	3.11%
MSU Morrill	0.8%	1.7%	1.0%	1.04%
Western / Eastern	0.8%	2.9%	2.1%	2.07%
Montana Tech	1.5%	1.2%	5.5%	1.87%
University of Montana	2.1%	-0.2%	6.3%	2.16%
Deaf & Blind School	0.7%	4.5%	1.8%	2.56%
Pine Hills School	0.5%	-0.2%	3.9%	0.59%
Veterans Home	1.0%		0.2%	0.13%
Public Land Trust – Navigable Rivers	-0.6%		0.0%	-0.03%
Acquired Lands – Public Schools		0.0%		0.08%
<b>TOTAL SURFACE ASSETS INCOME RETURN</b>	<b>1.11%</b>	<b>0.68%</b>	<b>1.23%</b>	<b>1.02%</b>

\*\*\*Income returns are a dividend equivalent and calculated as the ratio of surface net operating income to estimated average surface asset value of this fiscal year.

# TRUST LAND PROGRAM PERFORMANCE

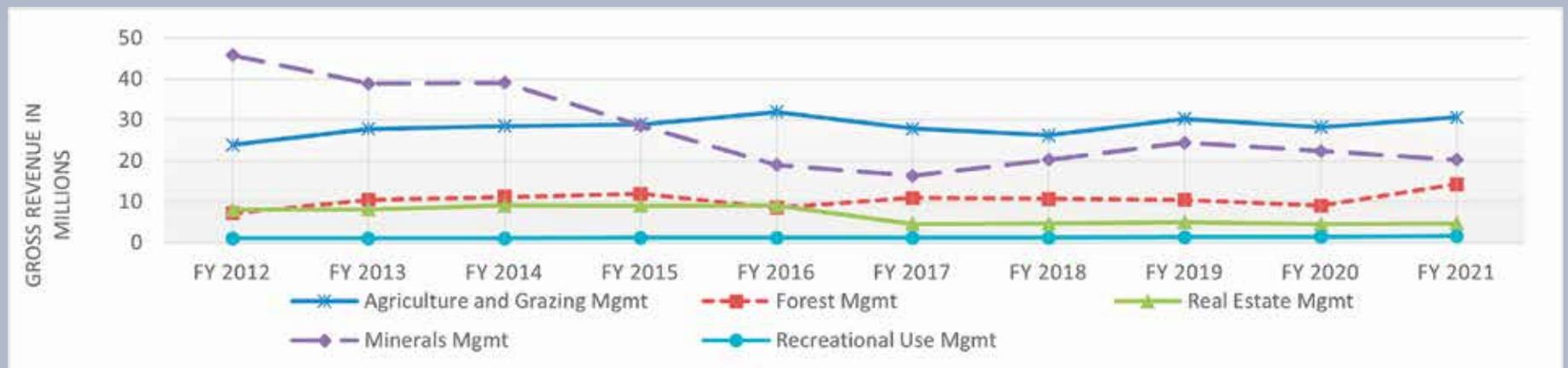
Total program revenues and operational expenses (i.e. costs of doing business) have generally increased over the last eight years. *Table 18, Table 19, and Table 20* summarize program revenues, costs, and net operating income, respectively, and *Figures 21, 22 and 23* illustrate the trends in program revenues and costs over the same years.

**Table 18. Trust Land Total Program Revenues FY 2012 through FY 2021 (U.S. dollars reported by DNRC TLMD)**

Program	Agriculture and Grazing Mgmt	Forest Mgmt	Real Estate Mgmt	Minerals Mgmt	Recreational Use Mgmt	Total Program Revenues	Permanent Fund Earnings / Other	Total Revenues
FY 2012	23,898,972	7,173,483	8,077,618	45,846,476	1,101,020	87,048,332	24,543,638	111,591,970
FY 2013	27,827,321	10,504,738	8,139,565	38,873,679	1,089,037	92,052,551	23,431,753	115,484,304
FY 2014	28,495,222	11,204,002	9,049,364	39,116,340	1,101,392	90,958,006	23,460,822	114,418,828
FY 2015	28,894,893	11,950,115	8,974,400	28,553,590	1,233,102	84,895,976	24,207,216	109,103,192
FY 2016	31,930,471	8,566,451	9,014,114	19,041,008	1,233,225	71,680,479	24,167,124	95,847,603
FY 2017	27,909,929	10,958,249	4,564,587	16,303,811	1,238,805	62,247,394	23,990,823	86,238,217
FY 2018	26,249,268	10,685,127	4,671,168	20,254,794	1,172,611	63,890,614	23,589,999	87,480,613
FY 2019	30,277,035	10,495,247	5,007,457	24,461,732	1,341,394	73,685,486	25,523,025	99,208,511
FY 2020	28,247,221	8,325,644	4,532,759	22,407,291	1,428,113	67,276,049	24,797,283	92,073,332
FY 2021	30,597,279	14,295,587	4,734,519	20,257,471	1,594,763	82,253,049	25,004,321	107,257,369

\*Rights of Way revenues not included in Real Estate column, but are included in Total Program Revenues. These revenues can be generated on any classification of surface trust land ownership.

**Figure 21. Annual Revenues by Program, FY 2012 through FY 2021**



**Table 19. Trust Land Total Program Costs FY 2012 through FY 2021 (U.S. dollars reported by DNRC TLMD)**

Program	Agriculture and Grazing Management Costs	Forest Management Costs	Real Estate Management Costs*	Minerals Management Costs	Recreational Use Management Costs	Total Program Costs**	Division Management Costs	Total Division Costs
FY 2012	1,522,783	5,205,765	1,705,382	936,844	169,114	9,539,888	2,592,640	12,132,528
FY 2013	1,618,377	5,662,690	1,669,435	993,887	174,996	10,119,385	2,481,035	12,600,420
FY 2014	1,735,023	5,421,067	1,826,934	987,336	194,708	10,165,068	2,923,007	13,088,075
FY 2015	1,741,498	6,022,300	1,889,774	933,227	185,322	10,772,121	3,274,242	14,046,363
FY 2016	1,872,312	5,681,176	1,987,614	1,030,263	207,129	10,778,494	3,484,667	14,263,161
FY 2017	1,941,820	5,709,143	2,072,777	1,071,173	168,151	10,963,064	3,735,123	14,698,187
FY 2018	1,818,708	4,120,890	*1,059,940	982,674	202,622	10,614,499	3,885,685	14,500,184
FY 2019	1,877,798	4,435,468	*690,643	1,018,308	230,446	11,104,686	3,793,567	14,898,256
FY 2020	1,927,869	4,856,801	*1,151,883	1,141,512	222,801	11,912,750	4,207,697	16,120,446
FY 2021	1,999,582	4,716,266	*713,498	1,019,293	255,340	10,544,954	4,023,500	15,587,748

\*Land Transactions/ Rights of Way costs excluded from Real Estate Management column in FY 2018-FY 2021, included in previous years in this column. These costs are associated with all classified surface trust lands and are included in the Total Program Costs column in FY 2018-FY 2020.

\*\*Includes Forest Improvement. These expenses are used for various land asset improvements, including acquiring access to Trust parcels. These expenses were included in the Forest Management Costs column for years prior to FY 2018.

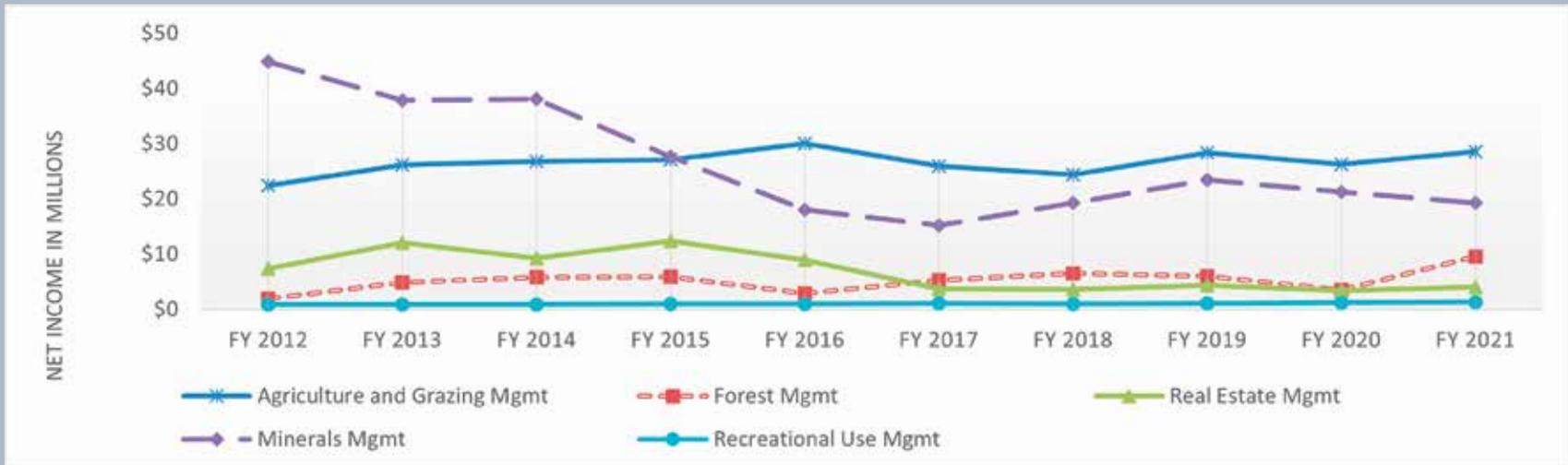
**Figure 22. Annual Costs by Program, FY 2012 through FY 2021**

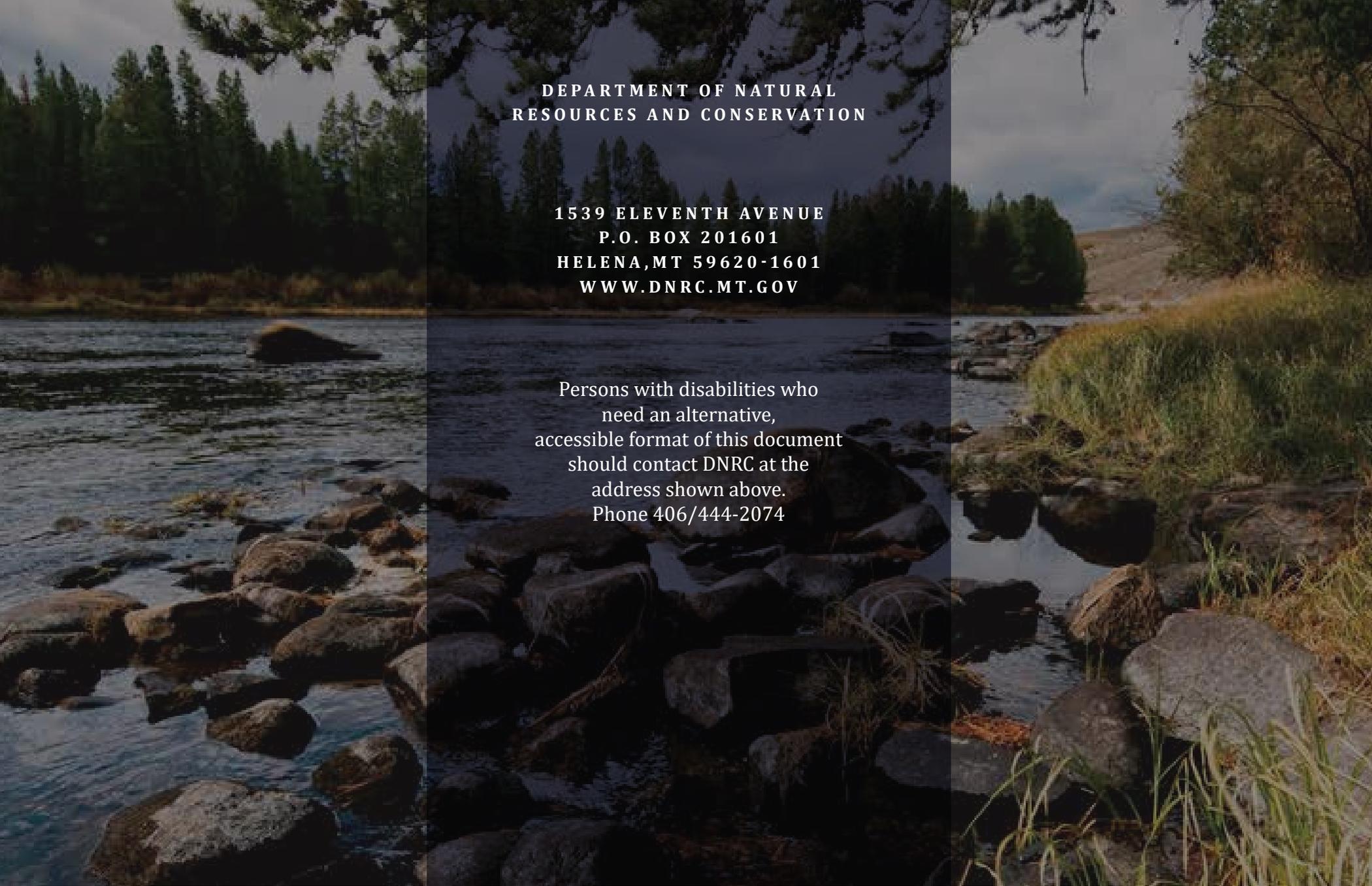


**Table 20. Trust Land Program Net Operating Income FY 2012 through FY 2021 (U.S. dollars reported by DNRC TLMD)**

Program	Agriculture and Grazing Mgmt	Forest Mgmt	Real Estate Mgmt	Minerals Mgmt	Recreational Use Mgmt	Total Program Net Operating Income	Real and Financial Assets Net Operating Income
FY 2012	22,376,189	1,967,718	7,322,999	44,909,632	931,906	77,580,444	99,459,442
FY 2013	26,208,944	4,843,048	12,088,341	37,879,792	914,041	81,933,166	102,883,884
FY 2014	26,760,199	5,782,935	9,214,116	38,129,004	906,684	80,792,938	101,330,753
FY 2015	27,153,395	5,927,815	12,374,502	27,620,363	1,047,780	74,123,855	95,056,829
FY 2016	30,058,159	2,885,275	8,921,710	18,010,745	1,026,096	60,901,985	81,584,442
FY 2017	25,968,109	5,249,106	3,763,823	15,232,638	1,070,654	51,284,330	71,540,030
FY 2018	24,430,560	6,564,237	3,611,228	19,272,120	969,989	53,276,115	72,980,429
FY 2019	28,399,237	6,059,779	4,282,591	23,443,424	1,110,948	62,580,800	84,310,255
FY 2020	26,319,353	3,468,843	3,380,877	21,265,778	1,205,312	55,363,299	75,952,886
FY 2021	28,597,697	9,579,321	4,021,021	19,238,177	1,339,422	71,708,095	91,669,621

**Figure 23. Annual Net Operating Income by Program, FY 2012 through FY 2021**





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